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

# Form 10-K

**(Mark One)**

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

**For the fiscal year ended November 3, 2007**

**OR**

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

**For the transition period from to**

**Commission File No. 1-7819**

# Analog Devices, Inc.
*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Massachusetts** | **04-2348234** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **One Technology Way, Norwood, MA** | **02062-9106** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(781) 329-4700**
*(Registrant's telephone number, including area code)*

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

| | |
|---|---|
| **Common Stock $0.16 2/3 Par Value** | **New York Stock Exchange** |
| *Title of Each Class* | *Name of Each Exchange on Which Registered* |

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

**None**
*Title of Class*

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☑ Accelerated Filer o Non-Accelerated Filer o

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was approximately $8,498,000,000 based on the last reported sale of the Common Stock on the New York Stock Exchange Composite Tape reporting system on May 4, 2007. Shares of voting and non-voting stock held by executive officers, directors and holders of more than 5% of the outstanding stock have been excluded from this calculation because such persons or institutions may be deemed affiliates. This determination of affiliate status in not a conclusive determination for other purposes.

As of November 3, 2007 there were 303,354,180 shares of Common Stock, $0.16 2/3 par value per share, outstanding.

**Documents Incorporated by Reference**

| Document Description | Form 10-K Part |
|---|---|
| Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held March 11, 2008 | III |

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## PART I

## ITEM 1. BUSINESS

### Company Overview

We are a world leader in the design, manufacture and marketing of high-performance analog, mixed-signal and digital signal processing integrated circuits used in industrial, communication, computer and consumer applications. Since our inception in 1965, we have focused on solving the engineering challenges associated with signal processing in electronic equipment. Our products are embedded inside electronics that people come into contact with every day. Real world signal processing describes the process of converting real-world phenomena such as temperature, motion, pressure, light and sound into electrical signals to be used in a wide array of electronic equipment including industrial process control, factory automation systems, defense electronics, portable wireless communications devices, cellular basestations, central office networking equipment, computers, automobiles, medical imaging equipment, digital cameras and digital televisions. Signal processing technology is a critical element of high-speed communications, digital entertainment, and other consumer, computer and industrial applications. As new generations of digital applications evolve, they generate new needs for high-performance analog signal processing and digital signal processing, or DSP, technology. We produce a wide range of products that are designed to meet the signal processing technology needs of a broad base of customers.

In September 2007, we entered into a definitive agreement to sell our baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. Accordingly, these operations have been presented as a discontinued operation within the consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144)*. The financial statements and related footnote disclosures reflect the results of this business in discontinued operations, net of applicable income taxes for all reporting periods presented. Unless otherwise noted, the discussions contained in the Annual Report on Form 10-K relate only to results from continuing operations. The Company expects to recognize a gain from the sale of the Baseband Chipset Business upon completion of the sale in the first quarter of fiscal 2008.

During our fiscal year ended November 3, 2007, or fiscal 2007, approximately 47% of our product revenue came from the industrial market, which includes factory automation, medical equipment, scientific instrumentation, automatic test equipment, automotive electronics, security equipment, and aerospace and defense systems.

Revenue from the communications market represented approximately 22% of our fiscal 2007 product revenue. Communications applications include wireless handsets and wireless basestations, as well as products used for high-speed access to the Internet, including central office networking equipment.

The demand for our products used in high-performance consumer electronics represented approximately 22% of our product revenue for fiscal 2007. Applications in this market include digital cameras and camcorders, flat-panel and plasma digital televisions, video game applications and surround sound audio systems.

We also serve the personal computer and network server markets with products that monitor and manage power usage, and enable high-quality audio. In fiscal 2007, the computer market accounted for approximately 9% of our product revenue.

We sell our products worldwide through a direct sales force, third-party distributors and independent sales representatives and through our website. We have direct sales offices in 18 countries, including the United States.

We are headquartered near Boston, in Norwood, Massachusetts, and have manufacturing facilities in Massachusetts, Ireland and the Philippines. We were founded in 1965 and are incorporated in Massachusetts. As of November 3, 2007, we employed approximately 9,600 individuals worldwide. Our common stock is listed on the New York Stock Exchange under the symbol ADI and is included in the Standard & Poor’s 500 Index.

We maintain a website with the address www.analog.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. We also make available on our website our corporate governance guidelines, the charters for our audit committee, compensation committee, and nominating and corporate governance committee, our stock option granting policies, our code of business conduct and ethics, and our related person transaction policy, and such information is available in print to any shareholder of Analog Devices who requests it. In addition, we intend to disclose on our website any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the Securities and Exchange Commission and the New York Stock Exchange.

**Industry Background**

All electronic signals fall into one of two categories, analog or digital. Analog, also known as linear, signals represent real-world phenomena, such as temperature, pressure, sound, speed and motion. This information can be detected and measured using analog sensors by generating continuously-varying voltages and currents. The signals from these sensors are initially processed using analog methods, such as amplification, filtering and shaping. They are then usually converted to digital form for storage or further manipulation. The further manipulation of the signals after conversion to digital form is called "digital signal processing." Digital signals represent the "ones" and "zeros" of binary arithmetic and are either on or off. Digital signals are frequently converted back to analog form for functions such as video display, audio output or control. These manipulations and transformations from analog to digital and back to analog are known as "real-world signal processing."

Significant developments in semiconductor technology in recent years have substantially increased the performance and functionality of integrated circuits, or ICs, used in signal processing applications. These developments include: the ongoing transition to digital media for communications, music, photography, and video, which has increased the need for precise, high-speed signal conditioning interfaces between the analog world and digital electronics; the ability to combine analog and digital signal processing capability on a single chip, thereby making possible more highly-integrated solutions; and the widespread application of low-cost, high-performance microprocessor-based systems, which enables customers to convert analog information into digital information that can be managed by these microprocessors. At the same time, the convergence of computing, communications, and consumer electronics has resulted in end products that incorporate state-of-the-art signal processing capability onto fewer chips and with less power consumption. Our products are designed to be used within electronic equipment to achieve higher performance, including greater speed, improved accuracy, more efficient signal processing and minimized power consumption.

**Principal Products**

We design, manufacture and market a broad line of high-performance ICs that incorporate analog, mixed-signal and digital signal processing technologies. Our ICs are designed to address a wide range of real-world signal processing applications. Across the entire range of our product portfolio are both general-purpose products used by a broad range of customers and applications as well as application-specific products designed for specific clusters of customers in key target markets. By using readily available, high-performance, general-purpose products in their systems, our customers can reduce the time they need to bring new products to market. Given the high cost of developing more customized ICs, our standard products often provide the most cost-effective solution for many low to medium volume applications. However, in some communications, computer and consumer products, we focus on working with leading customers to design application-specific solutions. We begin with our existing core technologies in data conversion, amplification, power management, radio frequency and DSP, and devise a solution to more closely meet the needs of a specific customer or group of customers. Because we have already developed the core technology for our general-purpose products, we can create application-specific solutions quickly.

We produce and market several thousand products. Our ten highest revenue products, in the aggregate, accounted for approximately 10% of our revenue for fiscal 2007. The majority of our products are proprietary, meaning equivalent products are not available from competitors. A limited number of other companies may provide products with similar functions.

*Analog Products*

Our analog IC technology has been the foundation of our business for over four decades, and we believe we are one of the world's largest suppliers of analog ICs. Our analog signal processing ICs are primarily high-performance devices, generally defined as devices that support a minimum of 10-bits of accuracy and a minimum of 50 megahertz of speed. The principal advantages these products have versus competitors' products include higher accuracy, lower cost per function, smaller size, lower power consumption and fewer components resulting in improved reliability. The majority of our analog signal processing IC product revenue is attributable to sales of data converters and amplifiers. The data converter and amplifier product categories represented approximately 66% of our fiscal 2007 product revenue. Over the past several years we have been expanding our analog IC product offerings along the entire signal chain and into product areas such as radio frequency integrated circuits, or RF ICs, power management products, phase locked loops and high-speed clock ICs.

The majority of our analog IC products are proprietary to us in their design and our product portfolio addresses a wide range of applications. Our product portfolio includes several thousand analog ICs, any one of which can have as many as several hundred customers. Our analog ICs typically have long product life cycles. Our analog IC customers include both original equipment manufacturers, or OEMs, and customers who build electronic subsystems for integration into larger systems.

Our analog technology base also includes products using an advanced IC technology known in the industry as surface micromachining, which is used to produce semiconductor products known as micro-electromechanical systems, or MEMS. This technology enables extremely small mechanical sensing elements to be built on the surface of a chip along with supporting circuitry. In addition to incorporating an electro-mechanical structure, these devices also have analog circuitry for conditioning signals obtained from the sensing element. The integration of signal conditioning and MEMS is a unique feature of our products which we call iMEMS®. Our iMEMS product portfolio includes accelerometers used to sense acceleration, and gyroscopes used to sense position. The majority of our current revenue from MEMS products is derived from accelerometers used by automotive manufacturers in airbag applications and in video game applications. However, revenue from consumer and industrial customers is increasing as we develop products using this technology for applications in these end markets.

*DSP Products*

DSPs are processors that are optimized for high-speed numeric calculations, which are essential for instantaneous, or real-time, processing of digital data generated, in most cases, from analog to digital signal conversion. DSP product revenue represented 10% of our fiscal 2007 product revenue. Our DSP products are designed to be fully programmable and to efficiently execute specialized software programs, or algorithms, associated with processing digitized real-time, real-world data. Programmable DSPs provide the flexibility to modify the device's function quickly and inexpensively using software. We offer both general-purpose and application-specific DSP products. General-purpose DSP IC customers typically write their own algorithms using software development tools that we provide and software development tools they obtain from third-party suppliers. Our application-specific DSP products typically include software for applications such as audio processing, telecommunications or image processing. Our DSPs are designed in families of products that share a common architecture and therefore can execute the same software. We support these products with easy-to-use, low-cost development tools, which are designed to reduce our customers' product development costs and time-to-market.

**Markets and Applications**

The following describes some of the characteristics of, and customer products within, our major markets:

***Industrial*** — Our industrial market includes the following areas:

*Industrial Process Automation* — Our industrial process automation market includes applications such as factory automation systems, automatic process control systems, robotics, environmental control systems and automatic test equipment. These applications generally require ICs that offer performance greater than that available from commodity-level ICs, but generally do not have production volumes that warrant custom or application-specific ICs. Combinations of analog, mixed-signal and DSP ICs are usually employed to achieve the necessary functionality.

*Instrumentation* — Our instrumentation market includes engineering, medical and scientific instruments. These applications are usually designed using the highest performance analog and mixed-signal ICs available. Customer products include oscilloscopes, logic analyzers, CT scanners, MRI equipment, blood analyzers and microscopes.

*Defense/Aerospace* — The defense, commercial avionics and space markets all require high-performance ICs that meet rigorous environmental and reliability specifications. Many of our analog ICs can be supplied in versions that meet these standards. In addition, many products can be supplied to meet the standards required for broadcast satellites and other commercial space applications. Most of our products sold in this market are specifically tested versions of products derived from our standard product offering. Customer products include navigation systems, flight simulators, radar systems and security devices.

*Automotive* — Although the automotive market has historically been served with low-cost, low-performance ICs, demand has emerged for higher performance devices for a wide range of safety and entertainment applications, as well as powertrain electronics. In response, we have developed products specifically for the automotive market. We supply a MEMS IC used as a crash sensor in airbag systems, roll-over sensing, global positioning satellite, or GPS, automotive navigation systems, anti-lock brakes and “smart” suspension systems. In addition, our analog and DSP ICs have application in engine control, in-cabin electronics, audio and collision avoidance systems.

***Communications*** — The development of broadband, wireless and Internet infrastructures around the world has created an important market for our communications products. Communications technology involves the acquisition of analog signals that are converted from analog to digital and digital to analog form during the process of transmitting and receiving data. The need for higher speed and reduced power consumption, coupled with more reliable, bandwidth-efficient communications, has been creating demand for our products. Our products are used in the full spectrum of signal processing for audio, data, image and video communication. In wireless and broadband communication applications, our products are incorporated into cellular handsets, cellular base station equipment, pagers, PBX switches, routers and remote access servers.

***Consumer*** — Increased market demand for digital entertainment systems and the consumer demand for high quality voice, music, movies and photographs has allowed us to combine analog and digital design capability to provide solutions that meet the rigorous cost requirements of the consumer electronics market. The emergence of high-performance, feature-rich consumer products, such as digital camcorders and cameras, home theater systems, LCD and plasma digital televisions, video projectors, video game applications and high-definition DVD recorders/players, has created a market for our high-performance ICs with a high level of specific functionality.

***Computer***— We currently supply ICs used in computers for enhanced audio input and output capability for business and entertainment applications. These products are sold under the brand name, SoundMAX®. A variety of our analog products also have application in network servers and laptop PCs, as well as computer peripherals such as displays, printers and scanners.

**Research and Development**

Our markets are characterized by rapid technological changes and advances. Accordingly, we make substantial investments in the design and development of new products and manufacturing processes, and the improvement of existing products and manufacturing processes. We spent approximately $519 million during fiscal 2007 on the design, development and improvement of new and existing products and manufacturing processes, compared to approximately $469 million during fiscal 2006 and approximately $438 million during fiscal 2005.

Our research and development strategy focuses on building technical leadership in core technologies for signal sensing, conditioning, conversion and processing. In addition, we have been increasing our investment in analog products used for power management. In support of our research and development activities, we employ thousands of engineers involved in product and manufacturing process development at over 40 design centers and manufacturing sites located throughout the world.

**Patents and Other Intellectual Property Rights**

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyrights, trademarks and trade secret laws. We have a program to file applications for and obtain patents, copyrights, and trademarks in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. We have obtained a substantial number of patents and trademarks in the United States and in other countries. As of November 3, 2007, we held approximately 1,388 U.S. patents and approximately 488 non-provisional pending U.S. patent applications. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. In connection with our announced divestiture transactions expected to close in fiscal 2008, we will transfer ownership of approximately 73 U.S. patents and 60 non-provisional pending U.S. patent applications. While our patents, copyrights, trademarks and trade secrets provide some advantage and protection, we believe our competitive position and future success is largely determined by such factors as the system and application knowledge, innovative skills, technological expertise, and management ability and experience of our personnel, the range and success of new products being developed by us, our market brand recognition and ongoing marketing efforts, customer service and technical support. It is generally our policy to seek patent protection for significant inventions that may be patented, though we may elect, in certain cases, not to seek patent protection even for significant inventions, if we determine other protection, such as maintaining the invention as a trade secret, to be more advantageous. We also have trademarks that are used in the conduct of our business to distinguish genuine Analog Devices products and we maintain cooperative advertising programs to promote our brands and identify products containing genuine Analog Devices components. In addition, we have registered certain of our mask sets, which are akin to the blueprint for building an IC, under the Semiconductor Chip Protection Act of 1984.

There can be no assurance that any patent will issue on pending applications or that any patent issued will provide substantive protection for the technology or product covered by it. There also can be no assurance that others will not develop or patent similar technology or reverse engineer our products or that our confidentiality agreements with employees, consultants, wafer foundries and other suppliers and vendors will be adequate to protect our interests. Moreover, the laws of countries in which we design, manufacture and market our products may afford little or no effective protection of our proprietary technology.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual indemnification of our customers. We have received from time to time, and may receive in the future, claims from third parties asserting that our products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. See Note 12 in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for information concerning pending litigation that involves us. An adverse outcome in these matters or other litigation could have a material adverse effect on our consolidated financial position or on our consolidated results of operations or cash flows in the period in which the litigation is resolved.

**Sales Channels**

We sell our products in North America and internationally through a direct sales force, third-party distributors, independent sales representatives and via our worldwide website on the Internet.

Approximately 53% of our fiscal 2007 product revenue was derived from sales made through distributors. Revenue is deferred on sales made through distributors until the distributors resell our products to the end customer, known as “100% sell out” or “100% sell through” in the industry. These distributors typically maintain an inventory of our products. Some of them also sell products competitive with our products, including those for which we are an alternate source. Sales to certain distributors are made under agreements that provide protection to the distributors for their inventory of our products including limited product return privileges and protection against price reductions and products that are slow-moving or that we have discontinued.

The categorization of sales into geographic regions is based upon the location of the customer.

Approximately 26% of our fiscal 2007 product revenue was to customers in the United States. As of November 3, 2007, we had 11 direct sales offices in the United States.

Approximately 24% of our fiscal 2007 product revenue was to customers in Europe. As of November 3, 2007, we had direct sales offices in Austria, Belgium, Denmark, France, Germany, Israel, Italy, the Netherlands, Sweden, and the United Kingdom.

Approximately 20% of our fiscal 2007 product revenue was to customers in Japan.

Approximately 13% of our fiscal 2007 product revenue was to customers in China and approximately 17% was to customers elsewhere in Asia, principally Taiwan and Korea. As of November 3, 2007, we had direct sales offices in the Asia region in China, Hong Kong, India, Japan, Korea, Singapore, and Taiwan.

We also have sales representatives and/or distributors in over 40 countries outside North America, including countries where we also have direct sales offices. For further detail regarding revenue and financial information about geographic areas, see our Consolidated Financial Statements and Note 4 in the related Notes contained in Item 8 of this Annual Report on Form 10-K.

Our worldwide technical direct field sales efforts are supported by an extensive promotional program that includes editorial coverage and paid advertising in trade publications, direct mail programs, promotional brochures, technical seminars and participation in trade shows. We publish and distribute full-length databooks, product catalogs, applications guides, technical handbooks and detailed data sheets for individual products. We also provide this information and sell products via our worldwide website on the Internet. We maintain a staff of field application engineers who aid customers in incorporating our products into their products.

We have tens of thousands of customers worldwide. Our largest single customer, excluding distributors, represented approximately 3% of our fiscal 2007 product revenue, and our 20 largest customers, excluding distributors, accounted for approximately 27% of our fiscal 2007 product revenue.

**Seasonality**

Sales to customers during our first fiscal quarter are sometimes lower than other quarters due to plant shutdowns at some of our customers during the holiday season. In general, the seasonality for any specific period of time has not had a material impact on our results of operations. In addition, as explained in our risk factors included elsewhere in this report, our revenue is more likely to be influenced on a quarter to quarter basis by cyclicality in the semiconductor industry.

**Foreign Operations**

Through subsidiaries and affiliates, we conduct business in numerous countries outside the United States. During fiscal 2007, approximately 74% of our product revenue was derived from customers in international markets. Our international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other laws, policies and regulations of foreign governments. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies.

We have manufacturing facilities outside the United States in Ireland and the Philippines. In addition to being exposed to the ongoing economic cycles in the semiconductor industry, we are also subject to the economic and political risks inherent in international operations and their impact on the United States economy in general, including the risks associated with ongoing uncertainties and political and economic instability in many countries around the world as well as the economic disruption from acts of terrorism, and the response to them by the United States and its allies. Other business risks associated with international operations include increased managerial complexities, air transportation disruptions, expropriation, currency controls, currency exchange rate movement, additional costs related to foreign taxes, tariffs and freight rate increases, exposure to different business practices and legal standards, particularly with respect to price protection and intellectual property, trade and travel restrictions, pandemics, import and export license requirements and restrictions, difficulties in staffing and managing worldwide operations, and accounts receivable collections.

**Production and Raw Materials**

Monolithic integrated circuit components are manufactured in a sequence of semiconductor production steps that include wafer fabrication, wafer testing, cutting the wafer into individual “chips,” or dice, assembly of the dice into packages and electrical testing of the devices in final packaged form. The raw materials used to manufacture these devices include silicon wafers, processing chemicals (including liquefied gases), precious metals and ceramic and plastic used for packaging.

We develop and employ a wide variety of proprietary manufacturing processes that are specifically tailored for use in fabricating high-performance linear, mixed-signal and MEMS ICs. We also use bipolar and complementary metal-oxide semiconductor, or CMOS, wafer fabrication processes.

Our IC products are fabricated both at our production facilities and by third-party wafer fabricators. Most of our analog products are manufactured in our own wafer fabrication facilities using proprietary processes. Our DSP products, and a portion of our analog products, are manufactured at third-party wafer-fabrication foundries using sub-micron digital CMOS processes. We operate wafer fabrication facilities in Wilmington and Cambridge, Massachusetts and Limerick, Ireland. We also operate test facilities located in the Philippines and use third-party subcontractors for the assembly and testing of our products.

Capital spending including that related to our Baseband Chipset Business, which is reflected as a discontinued operation, was $141.8 million in fiscal 2007, compared with $129.3 million in fiscal 2006. We currently plan to make capital expenditures of approximately $160 million in fiscal 2008.

Our products require a wide variety of components, raw materials and external foundry services, most of which we purchase from third-party suppliers. We have multiple sources for many of the components and materials that we purchase and incorporate into our products. However, a large portion of our external wafer purchases and foundry services are from a limited number of suppliers, primarily Taiwan Semiconductor Manufacturing Company (TSMC). If TSMC or any of our other key suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us, on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in significant expenses and disruptions or delays in manufacturing, product development and shipment of product to our customers. Although we have experienced shortages of components, materials and external foundry services from time to time, these items have generally been available to us as needed.

**Backlog**

Backlog at the end of fiscal 2007 was approximately $408 million, up from approximately $376 million at the end of fiscal 2006. This backlog includes approximately $14 million and $10 million at November 3, 2007 and October 28, 2006, respectively, from our CPU voltage regulation and PC thermal monitoring business that will be reclassified in the first quarter of fiscal 2008 to discontinued operations. Additional information relating to this divestiture is set forth below under the heading *Acquisitions, Divestitures and Investments.* We define backlog as of a particular date as firm orders with a customer or distributor requested delivery date within thirteen weeks. Backlog is impacted by the tendency of customers to rely on shorter lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog and, in some instances, we may not have manufacturing capacity sufficient to fulfill all orders. As is customary in the semiconductor industry, we allow most orders to be cancelled or deliveries delayed by customers without significant penalty. Accordingly, we believe that our backlog at any time should not be used as an indication of our future revenue.

In some of our markets where end-user demand may be particularly volatile and difficult to predict, some customers place orders that require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even any, of the product. At any given time, this situation could affect a portion of our backlog. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellation of orders leading to a sharp reduction of sales and backlog. Further, those orders may be for products that meet the customer's unique requirements so that those cancelled orders would, in addition, result in an inventory of unsaleable products, resulting in potential inventory write-offs. As a result of lengthy manufacturing cycles, for some of our products that are subject to these uncertainties, the amount of unsaleable product could be substantial.

**Government Contracts**

We estimate that approximately 3% of our fiscal 2007 product revenue was attributable to sales to the U.S. government and government contractors and subcontractors. Our government contract business is predominantly in the form of negotiated, firm fixed-price subcontracts. All such contracts and subcontracts contain standard provisions relating to termination at the election of the United States government.

**Acquisitions, Divestitures and Investments**

An element of our business strategy involves expansion through the acquisition of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. From time to time, we consider acquisitions and divestitures that may strengthen our business.

In September 2007, we entered into a definitive agreement to sell our Baseband Chipset Business to MediaTek Inc. We will also license to MediaTek Inc. related technology and intellectual property rights, subject to certain field of use restrictions. We expect to close the transaction during the first quarter of fiscal 2008.

In November 2007, we entered into a purchase and sale agreement with certain subsidiaries of ON Semiconductor Corporation, or ON, to sell our CPU voltage regulation and PC thermal monitoring business. The business to be sold consists of core voltage regulator products for the CPU in computing and gaming applications and temperature sensors and fan-speed controllers for managing the temperature of the CPU. As part of the transition, we also agreed to enter into a one-year manufacturing supply arrangement with ON. We expect to close this transaction during the first quarter of fiscal 2008. This business met the assets held for sale criteria on November 8, 2007, and will therefore be accounted for as a discontinued operation in the first quarter of fiscal 2008.

Additional information relating to our disposition and acquisition activities during fiscal 2007 and fiscal 2006 is set forth in Note 2u. and Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

**Competition**

We compete with a number of semiconductor companies in markets that are highly competitive. We believe we are one of the largest suppliers of high-performance analog and mixed-signal processing components. Competitors for our analog and DSP products include Broadcom Corporation, Freescale Semiconductor Inc., Infineon Technologies, Intersil Corporation, Linear Technology Corporation, Maxim Integrated Products, Inc., National Semiconductor Corporation, NXP Semiconductors, ST Microelectronics, Silicon Laboratories, Inc. and Texas Instruments, Inc.

We believe that competitive performance in the marketplace for real-world signal processing components depends upon several factors, including technical innovation, product quality and reliability, range of products, product price, customer service and technical support. We believe our technical innovation emphasizing product performance and reliability, supported by our commitment to strong customer service and technical support, enables us to compete in our chosen markets against both foreign and domestic semiconductor manufacturers.

Many other companies offer products that compete with our products, and some have greater financial, manufacturing, technical and marketing resources than we have. Some of our competitors may have better established supply or development relationships with our current and potential customers. Additionally, some formerly independent competitors have been purchased by larger companies. Our competitors also include emerging companies selling specialized products into markets we serve. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors, or that our operating results will not be adversely affected by increased price competition.

**Environment**

We are committed to protecting the environment and the health and safety of our employees, customers and the public. We endeavor to adhere to the most stringent standards across all of our facilities, to encourage pollution prevention and to strive towards continual improvement. We strive to achieve a standard of excellence in environmental, health and safety management practices as an integral part of our total quality management system.

Our manufacturing facilities are subject to numerous environmental laws and regulations, particularly with respect to the storage, handling, use, discharge and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, financial condition or competitive position. There can be no assurance, however, that current or future environmental laws and regulations will not impose costly requirements upon us. Any failure by us to comply with applicable environmental laws and regulations could result in fines, suspension of production, alteration of fabrication processes and legal liability.

**Employees**

As of November 3, 2007, we employed approximately 9,600 individuals worldwide. Our future success depends in large part on the continued service of our key technical and senior management personnel, and on our ability to continue to attract, retain and motivate qualified employees, particularly those highly-skilled design, process, test and applications engineers involved in the design, support and manufacture of new and existing products and processes. We believe that relations with our employees are good; however, the competition for such personnel is intense, and the loss of key personnel could have a material adverse impact on our results of operations and financial condition.

## ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

*Our future revenue, gross margins, operating results and net income are difficult to predict and may materially fluctuate.*

Our future revenue, gross margins, operating results and net income are difficult to predict and may be materially affected by a number of factors, including:

- changes in customer demand for our products and for end products that incorporate our products;
- the timing of new product announcements or introductions by us, our customers or our competitors;
- competitive pricing pressures;
- fluctuations in manufacturing yields, adequate availability of wafers and other raw materials, and manufacturing, assembly and test capacity;
- the risk that our backlog could decline significantly;
- the timing, delay or cancellation of significant customer orders and our ability to manage inventory;
- our ability to hire, retain and motivate adequate numbers of engineers and other qualified employees to meet the demands of our customers;
- changes in geographic, product or customer mix;
- potential significant litigation-related costs;
- the difficulties inherent in forecasting future operating expense levels;
- the costs related to compliance with increasing worldwide environmental regulations;
- changes in our effective tax rate;
- the effect of adverse changes in economic conditions in the United States and international markets; and
- the effects of public health emergencies, natural disasters, terrorist activities, international conflicts and other events beyond our control.

In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns. Our business is subject to rapid technological changes and there can be no assurance, depending on the mix of future business, that products stocked in inventory will not be rendered obsolete before we ship them. As a result of these and other factors, there can be no assurance that we will not experience material fluctuations in future revenue, gross margins and operating results on a quarterly or annual basis. In addition, if our revenue, gross margins, operating results and net income do not meet the expectations of securities analysts or investors, the market price of our common stock may decline.

*Long-term contracts are not typical for us and reductions, cancellations or delays in orders for our products could adversely affect our operating results.*

In certain markets where end-user demand may be particularly volatile and difficult to predict, some customers place orders that require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even any, of the product. At any given time, this situation could affect a portion of our backlog. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellations of orders leading to a sharp reduction of sales and backlog. Further, those orders may be for products that meet the customer’s unique requirements so that those cancelled orders would, in addition, result in an inventory of unsaleable products, resulting in potential inventory write-offs. As a result of lengthy manufacturing cycles for certain of the products that are subject to these uncertainties, the amount of unsaleable product could be substantial. Reductions, cancellations or delays in orders for our products could adversely affect our operating results.

*Our future success depends upon our ability to continue to improve our products, develop and market new products, and identify and enter new markets.*

Our success significantly depends on our continued ability to improve our products and develop and market new products. Product development and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy such customer quality standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. In addition, our growth is dependent on our continued ability to identify and penetrate new markets where we have limited experience and competition is intense. There can be no assurance that the markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets, that our products will achieve customer acceptance in these markets, that competitors will not force prices to an unacceptably low level or take market share from us, or that we can achieve or maintain profits in these markets. Furthermore, a decline in demand in one or several of our end-user markets could have a material adverse effect on the demand for our products and our results of operations. Also, some of our customers in these markets are less established, which could subject us to increased credit risk.

*We may not be able to compete successfully in markets within the semiconductor industry in the future.*

Many other companies offer products that compete with our products. Some have greater financial, manufacturing, technical and marketing resources than we have. Some of our competitors may have better established supply or development relationships with our current and potential customers. Additionally, some formerly independent competitors have been purchased by larger companies. Our competitors also include emerging companies selling specialized products in markets we serve. Competition is based on design and quality of products, product performance, features and functionality, and price, with the relative importance of these factors varying among products, markets and customers. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced features and functionality, lower power requirements, greater levels of integration or lower cost. Increased competition in certain markets has resulted in and may continue to result in declining average selling prices, reduced gross margins and loss of market share in such markets. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors, or that our operating results will not be adversely affected by increased price competition.

*We rely on third-party subcontractors and manufacturers for some industry-standard wafers and assembly and test services, and therefore cannot control their availability or conditions of supply.*

We rely, and plan to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of our wafers that can be manufactured using industry-standard submicron processes. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, manufacturing yields, quality assurance and costs. Additionally, we utilize a limited number of third-party wafer fabricators, primarily Taiwan Semiconductor Manufacturing Company. These suppliers manufacture components in accordance with our proprietary designs and specifications. We have no written supply agreements with these suppliers and purchase our custom components through individual purchase orders. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. If these suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in additional expenses and delays in product development or shipment of product to our customers.

*We may not be able to satisfy increasing demand for our products, and increased production may lead to overcapacity and lower prices.*

The cyclical nature of the semiconductor industry has resulted in sustained and short-term periods when demand for our products has increased or decreased rapidly. During these periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the available demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources, or locate suitable third-party suppliers, to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly or procure excessive resources in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expect, our operating results may be adversely affected. These capacity expansions by us and other semiconductor manufacturers could also lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results.

*Our revenue may not increase enough to offset the expense of additional capacity.*

We, and the semiconductor industry generally, expand production facilities and access to third-party foundries in response to periods of increased demand which can cause operating expenses to increase. Should customer demand fail to increase or should we enter a period of reduced customer demand, our financial position and results of operations could be adversely impacted as a result of increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges.

*Our semiconductor products are complex and may contain undetected defects which could result in significant costs, claims and damage to our reputation, and adversely affect the market acceptance of our products.*

Semiconductor products are highly complex and may contain undetected defects when they are first introduced or as new versions are developed. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to warranty and indemnification provisions in our customer contracts. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs associated with product recalls. If any of our products contains defects, or has reliability, quality or compatibility problems, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results.

*We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively.*

Our success depends, in part, on our ability to protect our intellectual property. We primarily rely on patent, mask work, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes. Moreover, the laws of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our proprietary technology.

There can be no assurance that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection. We may not have foreign patents or pending applications corresponding to our U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. Other companies or individuals have obtained patents covering a variety of semiconductor designs and processes, and we might be required to obtain licenses under some of these patents or be precluded from making and selling the infringing products, if such patents are found to be valid. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms, or at all.

We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products, services or technology without our authorization. Also, former employees may seek employment with our business partners, customers or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment.

*We are involved in frequent litigation, including regarding intellectual property rights, which could be costly to bring or defend and could require us to redesign products or pay significant royalties.*

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual obligations to indemnify our customers. We have received from time to time, and may receive in the future, claims from third parties asserting that our products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. We could be subject to warranty or product liability claims that could lead to significant costs and expenses as we defend such claims or pay damage awards. While we maintain product liability insurance, there can be no assurance that such insurance will be available or adequate to protect against all such claims. We may incur costs and expenses relating to a recall of one of our customers' products containing one of our products. See Note 12 in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for information concerning certain pending litigation that involves us. An adverse outcome in these matters or other litigation could have a material adverse effect on our consolidated financial position or on our consolidated results of operations or cash flows in the period in which the litigation is resolved.

*If we do not retain our key personnel, our ability to execute our business strategy will be limited.*

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers, and on our ability to continue to attract, retain and motivate qualified personnel. The competition for these employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on our business should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policy on any of our officers or employees.

*To remain competitive, we may need to acquire other companies or purchase or license technology from third parties in order to introduce new products and services or enhance our existing products and services.*

An element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. We may not be able to find businesses that have the technology or resources we need and, if we find such businesses, may not be able to purchase or license the technology or resources on commercially favorable terms or at all. Acquisitions and technology licenses are difficult to identify and complete for a number of reasons, including the cost of potential transactions, competition among prospective buyers and licensees and the need for regulatory approvals. In order to finance a potential transaction, we may need to raise additional funds by selling our stock or borrowing money. We may not be able to find financing on favorable terms, and the sale of our stock may result in the dilution of our existing shareholders or the issuance of securities with rights that are superior to the rights of our common stockholders. Acquisitions also involve a number of risks, including:

- difficulty integrating acquired technologies, operations and personnel with our existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the future funding requirements for acquired companies, which may be significant;
- potential loss of key employees;
- exposure to unforeseen liabilities of acquired companies; and
- increased risk of costly and time-consuming litigation.

If we are unable to successfully address these risks, we may not realize some or all of the expected benefits of the acquisition, which may have an adverse effect on our business and results of operations.

*We rely on manufacturing capacity located in geologically unstable areas, which could affect the availability of supplies and services.*

We, and many companies in the semiconductor industry, rely on internal manufacturing capacity, wafer fabrication foundries and other sub-contractors in geologically unstable locations around the world. This reliance involves risks associated with the impact of earthquakes on us and the semiconductor industry, including temporary loss of capacity, availability and cost of key raw materials and equipment and availability of key services including transport of our products worldwide. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third party wafer-fabrication foundries, as a result of fire, natural disaster, unavailability of electric power or otherwise, would have a material adverse effect on our results of operations and financial condition.

*We are exposed to business, economic, political and other risks through our significant worldwide operations.*

During fiscal 2007, approximately 74% of our product revenue was derived from customers in international markets. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies. Potential interest rate increases, as well as high energy costs could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products. We have manufacturing facilities outside the United States in Ireland and the Philippines. In addition to being exposed to the ongoing economic cycles in the semiconductor industry, we are also subject to the economic and political risks inherent in international operations and their impact on the United States economy in general, including the risks associated with ongoing uncertainties and political and economic instability in many countries around the world as well as the economic disruption from acts of terrorism, and the response to them by the United States and its allies. Other business risks associated with international operations include increased managerial complexities, air transportation disruptions, expropriation, currency controls, currency exchange rate movement, additional costs related to foreign taxes, tariffs and freight rate increases, exposure to different business practices and legal standards, particularly with respect to price protection and intellectual property, trade and travel restrictions, pandemics, import and export license requirements and restrictions, difficulties in staffing and managing worldwide operations, and accounts receivable collections.

*Our future operating results are dependent on the performance of independent distributors.*

A significant portion of our sales are through independent distributors that are not under our control. These independent distributors generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their representation of us. We generally do not require letters of credit from our distributors and are not protected against accounts receivable default or bankruptcy by these distributors. Our inability to collect open accounts receivable could adversely affect our results of operations. Termination of a significant distributor, whether at our initiative or the distributor's initiative, could disrupt our current business. If we are unable to find suitable replacements in the event of terminations by significant distributors our operating results could be adversely affected.

*We are subject to increasingly strict environmental regulations, which could increase our expenses and affect our operating results.*

Our industry is subject to environmental regulations that control and restrict the use, transportation, emission, discharge, storage and disposal of certain chemicals used in the manufacturing process. Public attention on environmental controls has increased, and changes in environmental regulations might require us to invest in costly remediation equipment or alter the way our products are made. In addition, we use hazardous and other regulated materials that subject us to risks of liability for damages caused by accidental releases, regardless of fault. Any failure to control such materials adequately or to comply with regulatory restrictions could increase our expenses and adversely affect our operating results.

*Our manufacturing processes are highly complex and may be interrupted.*

We have manufacturing processes that utilize a substantial amount of technology as the fabrication of integrated circuits is a highly complex and precise process. Minute impurities, contaminants in the manufacturing environment, difficulties in the fabrication process, defects in the masks used in the wafer manufacturing process, manufacturing equipment failures, wafer breakage or other factors can cause a substantial percentage of wafers to be rejected or numerous dice on each wafer to be nonfunctional. While we have significant expertise in semiconductor manufacturing, it is possible that some processes could become unstable. This instability could result in manufacturing delays and product shortages, which could have a material adverse effect on our financial position or results of operations.

*Our stock price may be volatile.*

The market price of our common stock has been volatile in the past and may be volatile in the future, as it may be significantly affected by the following factors:

- actual or anticipated fluctuations in our revenue and operating results;
- changes in financial estimates by securities analysts or our failure to perform in line with such estimates or our published guidance;
- changes in market valuations of other semiconductor companies;
- announcements by us or our competitors of significant new products, technical innovations, acquisitions or dispositions, litigation or capital commitments;
- departures of key personnel;
- actual or perceived noncompliance with corporate responsibility or ethics standards by us or any of our employees, officers or directors; and
- negative media publicity targeting us or our competitors.

The stock market has historically experienced volatility, especially within the semiconductor industry, that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our operating results.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 2. PROPERTIES

Our corporate headquarters is located in Norwood, Massachusetts. Manufacturing and other operations are conducted in several locations worldwide. The following tables provide certain information about our principal general offices and manufacturing facilities:

| Principal Properties Owned: | Use | Floor Space |
|---|---|---|
| Wilmington, MA | Wafer fabrication, testing, engineering, marketing and administrative offices | 586,200 sq. ft. |
| Cavite, Philippines | Wafer probe and testing, warehouse, engineering and administrative offices | 465,900 sq. ft. |
| Limerick, Ireland | Wafer fabrication, wafer probe and testing, engineering and administrative offices | 405,000 sq. ft. |
| Westwood, MA | Engineering, administrative offices and warehouse | 100,500 sq. ft. |
| Greensboro, NC | Product testing, engineering and administrative offices | 98,700 sq. ft. |
| San Jose, CA | Engineering, administrative offices | 76,000 sq. ft. |
| Manila, Philippines | Components assembly and testing, engineering and administrative offices | 74,000 sq. ft. |

| Principal Properties Leased: | Use | Floor Space | Lease Expiration (fiscal year) | Renewals |
|---|---|---|---|---|
| Norwood, MA | Corporate headquarters, engineering, components testing, sales and marketing offices | 130,000 sq. ft. | 2022 | 2, five-yr. periods |
| Cambridge, MA | Wafer fabrication, components testing and assembly engineering, marketing and administrative offices | 117,000 sq. ft. | 2011 | None |
| Greensboro, NC | Engineering and administrative offices | 47,600 sq. ft. | 2011 | 1, two-yr. period |

In addition to the principal leased properties listed in the above table, we also lease sales offices and other premises at 26 locations in the United States and 37 locations overseas under operating lease agreements. These leases expire at various dates through the year 2022. We do not anticipate experiencing significant difficulty in retaining occupancy of any of our manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. For information concerning our obligations under all operating leases see Note 11 in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

## ITEM 3. LEGAL PROCEEDINGS

**Tentative Settlement of the SEC's Previously Announced Stock Option Investigation**

In our 2004 Form 10-K filing, we disclosed that the Securities and Exchange Commission, or SEC, had initiated an inquiry into our stock option granting practices, focusing on options that were granted shortly before the issuance of favorable financial results. On November 15, 2005, we announced that we had reached a tentative settlement with the SEC.

At all times since receiving notice of this inquiry, we have cooperated with the SEC. In November 2005, we and our President and CEO, Mr. Jerald G. Fishman, made an offer of settlement to the Staff of the SEC. The settlement has been submitted to the Commission for approval. There can be no assurance a final settlement will be so approved.

The SEC's inquiry focused on two separate issues. The first issue concerned our disclosure regarding grants of options to employees and directors prior to the release of favorable financial results. Specifically, the issue related to options granted to our employees (including officers) on November 30, 1999 and to our employees (including officers) and directors on November 10, 2000.

The second issue concerned the grant dates for options granted to employees (including officers) in 1998 and 1999, and the grant date for options granted to employees (including officers) and directors in 2001. Specifically, the settlement would conclude that the appropriate grant date for the September 4, 1998 options should have been September 8th (which is one trading day later than the date that was used to price the options); the appropriate grant date for the November 30, 1999 options should have been November 29th (which is one trading day earlier than the date that was used); and the appropriate grant date for the July 18, 2001 options should have been July 26th (which is five trading days after the original date).

In connection with the proposed settlement, we would consent to a cease-and-desist order under Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, would pay a civil money penalty of $3 million, and would reprice options granted to Mr. Fishman in certain years. Options granted to all others would be excluded from the repricing. Mr. Fishman would consent to a cease-and-desist order under Sections 17(a)(2) and (3) of the Securities Act, would pay a civil money penalty of $1 million, and would make a disgorgement payment with respect to options granted in certain years. With the exception of options granted in 1998, Mr. Fishman has not exercised or sold any of the options identified in this matter. We and Mr. Fishman would settle this matter without admitting or denying the Commission's findings.

We have determined that no restatement of our historical financial results would be necessary due to the proposed settlement.

**Other Legal Proceedings**

In May 2006, we received a document subpoena from the U.S. Attorney for the Southern District of New York requesting records from 2000 to the present relating to our granting of stock options. We believe that the options at issue in this matter are the same option grants which have been the subject of investigation by the SEC. We have cooperated with the office of the U.S. Attorney in connection with this subpoena. We cannot predict the outcome of this matter, but believe the disposition of the matter will not have a material adverse effect on us or our financial position.

On May 25, 2006, we filed a lawsuit in United States District Court for the District of Delaware against Linear Technology Corp., or LTC, alleging infringement of three of our patents by LTC's making, selling and using various products. In our complaint, we are seeking damages in an unspecified amount and injunctive relief. In addition, we also sought a declaratory judgment that our products do not infringe eight patents allegedly owned by LTC (the "LTC patents") and that the LTC patents are invalid. On July 28, 2006, LTC filed an answer and counterclaims, denying that its products infringe the asserted patents and asking the court to declare such patents invalid. LTC also claimed that we, by making, selling and using various power management products, are infringing seven of the eight LTC patents. LTC seeks damages in an unspecified amount and injunctive relief. On August 21, 2006, we filed our answer to LTC's counterclaims, denying all liability to LTC. The case is currently in the discovery phase and trial is scheduled to begin in October 2008. We intend to vigorously pursue our claims against LTC, and to vigorously defend against LTC's counterclaims. We are unable at this time to predict the outcome of this litigation; however, we believe that the final disposition of this matter will not have a material adverse effect on us or our financial position.

On October 13, 2006, a purported class action complaint was filed in the United States District Court for the District of Massachusetts on behalf of participants in our Investment Partnership Plan from October 5, 2000 to the present. The complaint named as defendants us, certain officers and directors, and our Investment Partnership Plan Administration Committee. The complaint alleges purported violations of federal law in connection with our option granting practices during the years 1998, 1999, 2000, and 2001, including breaches of fiduciary duties owed to participants and beneficiaries of our Investment Partnership Plan under the Employee Retirement Income Security Act. The complaint seeks unspecified monetary damages, as well as equitable and injunctive relief. We intend to vigorously defend against these allegations. On November 22, 2006, we and the individual defendants filed motions to dismiss the complaint. On January 8, 2007, the Plaintiff filed memoranda in opposition. On January 22, 2007, we and the individual defendants filed further memoranda in support of the motions to dismiss. Although we believe we have meritorious defenses to the asserted claims, we are unable at this time to predict the outcome of this proceeding. The court has scheduled a hearing on our motion to dismiss on January 30, 2008.

From time to time in the ordinary course of our business, various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, patents, trademarks, personal injury, environmental matters, product liability, insurance coverage and personnel and employment disputes. As to such claims and litigation, we can give no assurance that we will prevail.

While we do not believe that any of the matters described above will have a material adverse effect on our financial position, an adverse outcome of any of these matters is possible and could have a material adverse effect on our consolidated results of operations or cash flows in the quarter or annual period in which one or more of these matters are resolved.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of our security holders during the last quarter of the fiscal year ended November 3, 2007.

**EXECUTIVE OFFICERS OF THE COMPANY**

The following table sets forth (i) the name, age and position of each of our executive officers and (ii) the business experience of each person named in the table during at least the past five years. There is no family relationship among any of our executive officers.

| Executive Officer | Age | Position(s) | Business Experience |
|---|---|---|---|
| Ray Stata | 73 | Chairman of the Board | Chairman of the Board since 1973; Chief Executive Officer from 1973 to November 1996; President from 1971 to November 1991. |
| Jerald G. Fishman | 61 | President, Chief Executive Officer and Director | Chief Executive Officer since November 1996; President and Director since November 1991; Executive Vice President from 1988 to November 1991; Group Vice President — Components from 1982 to 1988. |
| Samuel H. Fuller | 61 | Vice President, Research and Development | Vice President, Research and Development since March 1998; Vice President of Research and Chief Scientist of Digital Equipment Corp. from 1983 to 1998. |
| Robert R. Marshall | 53 | Vice President, Worldwide Manufacturing | Vice President, Worldwide Manufacturing since February 1994; Vice President, Manufacturing, Limerick Site, Analog Devices, B.V. — Limerick, Ireland from November 1991 to February 1994; Plant Manager, Analog Devices, B.V. — Limerick, Ireland from January 1991 to November 1991. |
| William Matson | 48 | Vice President, Human Resources | Vice President, Human Resources since November 2006; Chief Human Resource Officer of Lenovo, an international computer manufacturer, from January 2005 to June 2006; General Manager of IBM Business Transformation Outsourcing from September 2003 to April 2005; Vice President, Human Resources of IBM Asia Pacific Region from December 1999 to September 2003. |

| Executive Officer | Age | Position(s) | Business Experience |
| --- | --- | --- | --- |
| Robert McAdam | 56 | Vice President, Analog Semiconductor Components | Vice President and General Manager, Analog Semiconductor Components since February 1994; Vice President and General Manager, Analog Devices, B.V. — Limerick, Ireland from January 1991 to February 1994; Product Line Manager, Analog Devices, B.V. — Limerick, Ireland from October 1988 to January 1991. |
| Brian P. McAloon | 57 | Vice President, DSP and Systems Products Group | Vice President, DSP and Systems Products Group since March 2001; Vice President, Sales from May 1992 to March 2001; Vice President, Sales and Marketing — Europe and Southeast Asia from 1990 to 1992; General Manager, Analog Devices, B.V. — Limerick, Ireland from 1987 to 1990. |
| Joseph E. McDonough | 60 | Vice President, Finance and Chief Financial Officer | Vice President, Finance and Chief Financial Officer since November 1991; Vice President since 1988 and Treasurer from 1985 to March 1993; Director of Taxes from 1983 to 1985. |
| Vincent Roche | 47 | Vice President, Worldwide Sales | Vice President, Worldwide Sales since March 2001; Vice President and General Manager, Silicon Valley Business Units and Computer & Networking from 1999 to March 2001; Product Line Director from 1995 to 1999; Product Marketing Manager from 1988 to 1995. |
| Margaret K. Seif | 46 | Vice President, General Counsel and Secretary | Vice President, General Counsel and Secretary since January 2006; Senior Vice President, General Counsel and Secretary of RSA Security Inc. from January 2000 to November 2005; Vice President, General Counsel and Secretary of RSA Security Inc. from June 1998 to January 2000. |

# PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol ADI. The tables below set forth the high and low sales prices per share of our common stock on the New York Stock Exchange and the dividends declared for each quarterly period within our two most recent fiscal years.

| | Fiscal 2007 | | Fiscal 2006 | |
|---|---|---|---|---|
| Period | High | Low | High | Low |
| First Quarter | $ 34.53 | $ 31.00 | $ 40.40 | $ 34.18 |
| Second Quarter | $ 40.57 | $ 32.53 | $ 41.48 | $ 36.61 |
| Third Quarter | $ 41.10 | $ 35.11 | $ 37.96 | $ 29.89 |
| Fourth Quarter | $ 38.96 | $ 32.23 | $ 33.24 | $ 26.07 |

**Dividends Declared Per Outstanding Share of Common Stock**

| Period | Fiscal 2007 | Fiscal 2006 |
|---|---|---|
| First Quarter | $ 0.16 | $ 0.12 |
| Second Quarter | $ 0.18 | $ 0.12 |
| Third Quarter | $ 0.18 | $ 0.16 |
| Fourth Quarter | $ 0.18 | $ 0.16 |

During the first quarter of fiscal 2008, on November 26, 2007, our Board of Directors declared a cash dividend of $0.18 per outstanding share of common stock. The dividend will be paid on December 26, 2007 to all shareholders of record at the close of business on December 7, 2007.

Information regarding the Company's equity compensation plans and the securities authorized for issuance thereunder is set forth in Item 12 below.

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased(a) | Average Price Paid Per Share(b) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(c) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| August 5, 2007 through September 1, 2007 | 3,310,766 | $ 37.11 | 3,310,766 | $ 860,059,332 |
| September 2, 2007 through September 29, 2007 | 3,999,188 | $ 36.53 | 3,999,036 | $ 713,965,692 |
| September 30, 2007 through November 3, 2007 | 1,333,772 | $ 36.54 | 1,333,666 | $ 665,229,821 |
| Total | 8,643,726 | $ 36.75 | 8,643,468 | $ 665,229,821 |

(a) Includes 258 shares withheld to satisfy employee tax obligations upon vesting of restricted stock units granted to our employees under our equity compensation plans.

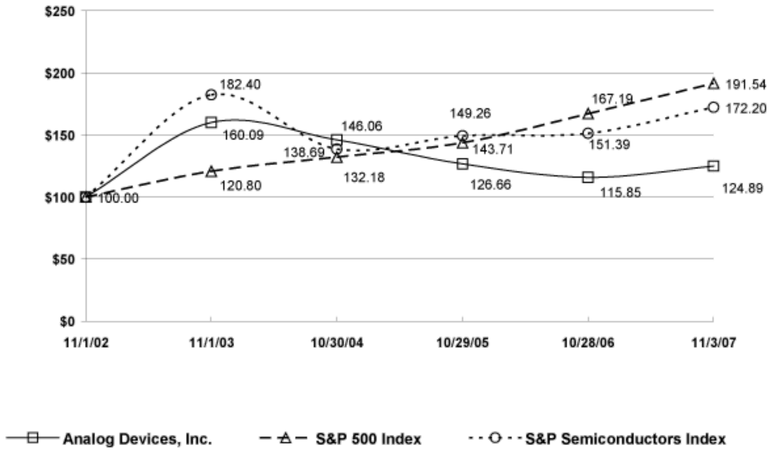
(b) The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to the brokers.

(c) Repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. On December 6, 2006, our Board of Directors authorized the repurchase by us of an additional $1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase from $2 billion to $3 billion. On June 6, 2007, our Board of Directors authorized the repurchase by us of an additional $1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase from $3 billion to $4 billion. Under the repurchase program, we may repurchase outstanding shares of our common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program.

The number of holders of record of our common stock at November 2, 2007 was 3,491. This number does not include shareholders for whom shares are held in a “nominee” or “street” name. On November 2, 2007, the last reported sales price of our common stock on the New York Stock Exchange was $32.90 per share.

**Comparative Stock Performance Graph**

The following graph compares cumulative total shareholder return on our common stock since November 1, 2002 with the cumulative total return for the Standard & Poor’s 500 Index and the Standard & Poor’s Semiconductors Index. This graph assumes the investment of $100 on November 1, 2002 in our common stock, the S&P 500 Index and the S&P Semiconductors Index and assumes all dividends are reinvested. Measurement points are the last trading day for each respective fiscal year.



## ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected financial data for each of our last five fiscal years and includes adjustments to reflect the classification of our Baseband Chipset Business as discontinued operations. See Note 2u. in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for information on discontinued operations.

| (thousands except per share amounts) | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Statement of Operations data: | | | | | |
| Total revenue from continuing operations | $ 2,546,117 | $ 2,342,919 | $ 2,134,800 | $ 2,218,854 | $ 1,786,408 |
| Net income from continuing operations* | 500,695 | 516,314 | 375,944 | 484,327 | 243,092 |
| Net (loss) income from discontinued operations* | (3,788) | 33,168 | 38,843 | 86,411 | 55,189 |
| Net income* | 496,907 | 549,482 | 414,787 | 570,738 | 298,281 |
| Net income per share from continuing operations*: | | | | | |
| Basic | 1.55 | 1.44 | 1.01 | 1.29 | 0.67 |
| Diluted | 1.51 | 1.39 | 0.98 | 1.23 | 0.64 |
| Net income per share* | | | | | |
| Basic | 1.54 | 1.53 | 1.12 | 1.52 | 0.82 |
| Diluted | 1.50 | 1.48 | 1.08 | 1.45 | 0.78 |
| Dividends declared per common share | 0.70 | 0.56 | 0.32 | 0.20 | — |
| Balance Sheet data: | | | | | |
| Total assets | $ 2,971,949 | $ 3,986,851 | $ 4,583,211 | $ 4,723,271 | $ 4,097,877 |

* The Company includes the expense associated with stock options in the statement of income effective in fiscal 2006 upon the adoption of SFAS 123R.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (all tabular amounts in thousands except per share amounts)**

This Management's Discussion and Analysis of Financial Condition and Results of Operations, including in particular the section entitled "Outlook" contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "may," variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in Part I, Item 1A. Risk Factors and elsewhere in our Annual Report on Form 10-K. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

In September 2007, we entered into a definitive agreement to sell our baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. We have reflected the financial results of this business as discontinued operations in the consolidated statement of income for all years presented. The assets and liabilities of this business are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of November 3, 2007 and October 28, 2006. Unless otherwise noted, this Management's Discussion and Analysis relates only to financial results from continuing operations.

**Results of Operations**

*Overview*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Total Revenue | $ 2,546,117 | $ 2,342,919 | $ 2,134,800 |
| Gross Margin % | 59.7% | 59.9% | 60.0% |
| Net income from Continuing Operations | $ 500,695 | $ 516,314 | $ 375,944 |
| Net income from Continuing Operations as a % of Total Revenue | 19.7% | 22.0% | 17.6% |
| Diluted EPS from Continuing Operations | $ 1.51 | $ 1.39 | $ 0.98 |
| Diluted EPS | $ 1.50 | $ 1.48 | $ 1.08 |

The year-to-year revenue changes by end market and product category is more fully outlined below under *Revenue Trends by End Market* and *Revenue Trends by Product*.

*Revenue Trends by End Market*

The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the "sold to" customer information, the "ship to" customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs, we reclassify revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

| | 2007 | | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Product Revenue | Y/Y% | Revenue | % of Total Product Revenue | Revenue | % of Total Product Revenue |
| Industrial | $ 1,184,891 | 47% | 7% | $ 1,105,261 | 47% | $ 952,662 | 45% |
| Communications | 545,792 | 22% | 7% | 510,137 | 22% | 475,284 | 22% |
| Consumer | 544,415 | 22% | 23% | 441,871 | 19% | 380,160 | 18% |
| Computer | 236,019 | 9% | (17)% | 285,650 | 12% | 326,694 | 15% |
| **Total Product Revenue** | **$ 2,511,117** | **100%** | **7%** | **$ 2,342,919** | **100%** | **$ 2,134,800** | **100%** |
| Revenue from one-time IP license | 35,000 | | | — | | — | |
| **Total Revenue** | **$ 2,546,117** | | | **$ 2,342,919** | | **$ 2,134,800** | |

*Industrial* — The year-to-year increase from fiscal 2006 to fiscal 2007 was primarily the result of revenue growth in products sold into the automotive area and to a lesser extent the instrumentation portion of the industrial end market. These sales increases were partially offset by a decline in sales to automatic test equipment customers. The year-to-year increase from fiscal 2005 to fiscal 2006 was a result of a broad based increase in demand for our products across a wide range of customers in this end market.

*Communications* — The year-to-year increase from fiscal 2006 to fiscal 2007 was the result of an increase in sales to customers in the wireless basestation and analog wireless handset end markets. The increase in sales in these end markets was partially offset by a decrease in sales to networking customers. The year-to-year increase from fiscal 2005 to fiscal 2006 was the result of an increase in sales of our products sold to customers in the wireless basestation end market and to a lesser extent, an increase in sales of our products sold into optical applications. These increases were offset by a decrease in sales to networking customers as a result of the sale of our DSP-based DSL ASIC and network processor product line, which we sold in the second quarter of fiscal 2006.

*Consumer* — The year-to-year increase from fiscal 2006 to fiscal 2007 was primarily the result of increased sales of our products used in video game applications, advanced television systems and digital home applications. The year-to-year increase from fiscal 2005 to fiscal 2006 was primarily the result of the success of our products in digital home applications and advanced television systems and to a lesser extent in a broad array of audio and video applications.

*Computer* — The year-to-year decreases in each of the last two fiscal years was the result of our decision to deemphasize power management products used in desktop and laptop computers.

*Revenue from One-Time IP License* — During the first quarter of fiscal 2007, we recorded revenue of $35 million received in exchange for licensing of certain intellectual property rights to a third party.

*Revenue Trends by Product*

The following table summarizes revenue by product categories. The categorization of our products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories we reclassify the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

| | 2007 | | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Product Revenue | Y/Y% | Revenue | % of Total Product Revenue | Revenue | % of Total Product Revenue |
| Converters | $ 1,106,615 | 44% | 8% | $ 1,023,499 | 44% | $ 927,711 | 43% |
| Amplifiers | 557,515 | 22% | 5% | 532,046 | 23% | 445,732 | 21% |
| Power management & reference | 205,497 | 8% | (6)% | 219,651 | 9% | 214,169 | 10% |
| Other analog | 393,724 | 16% | 27% | 310,075 | 13% | 255,385 | 12% |
| **Total analog products** | **$ 2,263,351** | **90%** | **9%** | **$ 2,085,271** | **89%** | **$ 1,842,997** | **86%** |
| General purpose DSP | 214,000 | 9% | 4% | 205,483 | 9% | 186,660 | 9% |
| Other DSP | 33,766 | 1% | (35)% | 52,165 | 2% | 105,143 | 5% |
| **Total DSP products** | **$ 247,766** | **10%** | **(4%)** | **$ 257,648** | **11%** | **$ 291,803** | **14%** |
| **Total Product Revenue** | **$ 2,511,117** | **100%** | **7%** | **$ 2,342,919** | **100%** | **$ 2,134,800** | **100%** |
| Revenue from one-time IP license | 35,000 | | | — | | — | |
| **Total Revenue** | **$ 2,546,117** | | | **$ 2,342,919** | | **$ 2,134,800** | |

The significant changes in our revenue trends by product type from fiscal 2007 to fiscal 2006, and from fiscal 2006 to fiscal 2005, were the year-to-year increases in our other analog product category, primarily as a result of increased sales of products used in video game applications and continued growth in converters and amplifiers. Sales of products in the power management and reference product category were lower in fiscal 2007 as compared to fiscal 2006 as a result of our decision to deemphasize power management products used in desktop and laptop computers. The year-to-year declines from fiscal 2006 to fiscal 2007, and from fiscal 2005 to fiscal 2006, in the DSP product category were primarily attributable to the loss of revenue from our DSP-based DSL ASIC and network processor product line that we sold in the second quarter of fiscal 2006. These decreases were partially offset by an increase in revenues from our general purpose DSP products.

*Revenue Trends by Geographic Region*

The percentage of product sales from continuing operations by geographic region, based upon point of sale, for the last three years is as follows:

| | Fiscal Year | | |
|---|---|---|---|
| Region | 2007 | 2006 | 2005 |
| United States | 26% | 27% | 27% |
| Europe | 24% | 24% | 25% |
| Japan | 20% | 20% | 20% |
| China | 13% | 11% | 9% |
| Rest of Asia* | 17% | 18% | 19% |

* The predominant countries comprising “Rest of Asia” are Taiwan and Korea.

There was no major shift in the distribution of revenue by geographic region in fiscal 2007 as compared to fiscal 2006.

*Gross Margin*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Gross Margin | $ 1,519,217 | $ 1,403,166 | $ 1,281,315 |
| Gross Margin % | 59.7% | 59.9% | 60.0% |

Gross margin in fiscal 2007 decreased by 20 basis points from the gross margin recorded in fiscal 2006. This decrease was primarily the result of higher sales of products used in consumer electronics, which currently earn relatively lower gross margins than our average gross margin. This decrease was partially offset by the $35 million in revenue recorded in the first quarter of fiscal 2007 in exchange for licensing of certain intellectual property rights to a third party with no associated cost of sales. Fiscal year 2006 cost of sales also included approximately $20.3 million of restructuring-related expenses, of which $18.3 million was accelerated depreciation.

Gross margin in fiscal 2006 decreased by 10 basis points from the gross margin recorded in fiscal 2005. This decrease was the result of recognizing $29.3 million of stock-based compensation expense, restructuring-related and acquisition-related expenses in cost of sales in fiscal 2006. The restructuring expense primarily related to accelerated depreciation of $18.3 million. These increases in expenses were partially offset by an increase in utilization of our wafer fabrication facilities and increased sales of higher margin products during fiscal 2006 as compared to fiscal 2005.

*Stock-based Compensation Expense*

During the first quarter of fiscal 2006, on October 30, 2005, we adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, using the modified prospective application method. Compensation cost is calculated on the date of grant using the fair value of the options as calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires us to make several assumptions. One of the key assumptions is expected volatility. For options granted prior to fiscal 2005, we used historical volatility to estimate the grant-date fair value of stock options. We changed our method of estimating expected volatility for all stock options granted after fiscal 2004 from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review we undertook, which included consultations with several third-party advisors. We currently believe that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's current expectations of future volatility. Historical volatility during the period commensurate with the expected term of our stock options over the past several years included a period of time during which our stock price experienced unprecedented increases and subsequent declines. We believe that this past stock price volatility is unlikely to be indicative of future stock price behavior.

Prior to the adoption of SFAS 123R, we accounted for share-based payments to employees under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, using the intrinsic value method and, as such, generally recognized no compensation cost for employee stock options. The adoption of SFAS 123R under the modified prospective application method allowed us to recognize compensation cost beginning with the effective date (a) based on the requirement of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that were unvested on the effective date. Under the modified prospective application method, prior periods are not restated for the effect of SFAS 123R. We used the graded attribution method to recognize expense for all options granted prior to the adoption of SFAS 123R. Upon adoption of SFAS 123R on October 30, 2005, we switched to the straight-line attribution method to recognize expense for all grants made after October 29, 2005. The expense associated with the unvested portion of the pre-adoption grants continues to be expensed using the graded attribution method.

Prior to the adoption of SFAS 123R on October 18, 2005, we accelerated the vesting of all unvested stock options awarded to employees after December 31, 2000 that had exercise prices of $40.00 per share or greater. The vesting of options issued to our corporate officers and directors was not accelerated. Unvested options to purchase approximately 18 million shares became exercisable as a result of the vesting acceleration. Because the exercise price of all the modified options was greater than the market price of our underlying common stock on the date of the modification, no stock-based compensation expense was recorded in the statement of income in accordance with APB Opinion No. 25. The primary purpose for modifying the terms of these out-of-the-money stock options to accelerate their vesting was to eliminate the need to recognize the remaining unrecognized non-cash compensation expense in our statement of income associated with these stock options as measured under SFAS 123, *Accounting for Stock-Based Compensation*, because the approximately $188 million ($134 million net of tax) of future expense associated with these options would have been disproportionately high compared to the economic value of the options at the date of modification.

Our income from continuing operations before income taxes and net income from continuing operations for fiscal 2007, are $67.0 million and $47.3 million lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25. Basic and diluted earnings per share for fiscal 2007 were $0.15 and $0.14 lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25. We expect that stock-based compensation related to our adoption of SFAS 123R will reduce diluted EPS by approximately $0.03 in the first quarter of fiscal 2008.

Our income from continuing operations before income taxes and net income from continuing operations for fiscal 2006, were $69.8 million and $49.7 million lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25. Basic and diluted earnings per share for fiscal 2006 were $0.14 and $0.13 lower, respectively, than if we had continued to account for share-based compensation under APB Opinion 25.

As of November 3, 2007, the total compensation cost related to unvested awards not yet recognized in the statement of income was approximately $144.5 million (before tax consideration), which will be recognized over a weighted average period of 1.7 years.

See Note 3 to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding our adoption of SFAS 123R.

*Research and Development (R&D)*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| R&D Expenses | $ 519,315 | $ 469,396 | $ 438,183 |
| R&D Expenses as a % of Product Revenue | 20.7% | 20.0% | 20.5% |

R&D expenses for fiscal 2007 increased by $49.9 million, or 11%, from the amount recorded in fiscal 2006. The increase in R&D expense was primarily the result of an increase in employee salary and benefit expense in fiscal 2007, primarily as a result of an increase in our employee population and to a lesser extent the impact of the extra week of operations in fiscal 2007. These increases were partially offset by lower employee bonus expense during fiscal 2007 as compared to fiscal 2006.

R&D expenses for fiscal 2006 increased by $31.2 million, or 7%, from the amount recorded in fiscal 2005. The increase in R&D expense in fiscal 2006 was primarily the result of recognizing $29.6 million of stock-based compensation expense due to the adoption of SFAS 123R and an increase in employee bonus expense. These increases were partially offset by the savings realized from the restructuring actions we initiated in the fourth quarter of fiscal 2005 and the sale of our DSP-based DSL ASIC and network processor product line in the second quarter of fiscal 2006.

R&D expense as a percentage of net sales will fluctuate from year-to-year depending on the amount of net sales and the success of new product development efforts, which we view as critical to our future growth. At any point in time we have hundreds of R&D projects underway, and we believe that none of these projects is material on an individual basis. We expect to continue the development of innovative technologies and processes for new products, and we believe that a continued commitment to R&D is essential in order to maintain product leadership with our existing products and to provide innovative new product offerings, and therefore, we expect to continue to make significant R&D investments in the future.

*Selling, Marketing, General and Administrative (SMG&A)*

| | Fiscal Year 2007 | Fiscal Year 2006 | Fiscal Year 2005 |
|---|---|---|---|
| SMG&A Expenses | $ 393,221 | $ 387,874 | $ 333,091 |
| SMG&A Expenses as a % of Product Revenue | 15.7% | 16.6% | 15.6% |

SMG&A expenses for fiscal 2007 increased by $5.3 million, or 1%, from the levels recorded in fiscal 2006. The increase in SMG&A expenses was primarily the result of higher employee salary and benefit expense and an extra week of operations in the first quarter of fiscal 2007. These increases were partially offset by lower employee bonus expense and $8.5 million related to the reimbursement of legal expenses we received as a result of the settlement of litigation in the second quarter of fiscal 2007.

SMG&A expenses for fiscal 2006 increased by $54.8 million, or 16%, from the levels recorded in fiscal 2005. The increase in SMG&A expenses was primarily the result of recording $32.6 million of stock-based compensation expense related to the adoption of SFAS 123R and higher employee salary, benefit and bonus expenses. These increases were partially offset by savings realized from the restructuring actions we initiated in the fourth quarter of fiscal 2005 and the sale of our DSP-based DSL ASIC and network processor product line in the second quarter of fiscal 2006.

*Purchased In-process Research and Development*

| | Fiscal Year 2006 |
|---|---|
| TTPCom Limited | $ 5,500 |
| Integrant | 11,124 |
| AudioAsics | 5,087 |
| Total Purchased in-Process R&D | $ 21,711 |

We incurred charges totaling $21.7 million for the write-off of in-process technology that had not yet reached technological feasibility associated with our acquisitions in the third and fourth quarters of fiscal 2006. There were no charges for the write-off of in-process research and development in fiscal 2007 or 2005. See “Acquisitions” below for additional information regarding these acquisitions.

*Special Charges*

*Closure of Wafer Fabrication Facility in Sunnyvale*

During the fourth quarter of fiscal 2005, we recorded a special charge of $20.3 million as a result of a decision to close our California wafer fabrication operations and transfer virtually all of the production of products manufactured there to our facility in Wilmington, Massachusetts. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under our ongoing benefit plan for 339 manufacturing employees and 28 general and administrative employees. The severance benefit was calculated based on length of past service, and employees had to continue to be employed until they were involuntarily terminated in order to receive the severance benefit. We completed the final cleanup and closure activities associated with this action during the second quarter of fiscal 2007.

In addition to the charge recorded in the fourth quarter of fiscal 2005, we recorded additional expense during fiscal 2006, which consisted of $18.3 million of non-cash cost of sales expenses for additional depreciation due to shortened useful lives of certain manufacturing equipment and $2.0 million for stay-on bonuses. We reversed approximately $2.0 million of our severance accrual during fiscal 2006 because some employees voluntarily left the company, other employees found alternative employment within the company, and there was an over accrual related to fringe benefits because severance payments, normally paid as income continuance, were paid in lump sum payments, which reduced the benefit costs associated with these payments. We have terminated the employment of all of the remaining employees included in this action.

We ceased production at the wafer fabrication facility on November 9, 2006. During the first quarter of fiscal 2007, we recorded additional expense, in accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which consisted of $3.2 million for clean-up and closure costs that were charged to expense as incurred and $0.4 million for lease obligation costs for a warehouse facility we ceased using during the first quarter of fiscal 2007. During the second quarter of fiscal 2007, we recorded a special charge, in accordance with SFAS 146, which included $5.0 million of expense for future lease obligation costs for the wafer fabrication facility that we ceased using during the second quarter of fiscal 2007. Also included in this special charge was $1.7 million for clean-up and closure costs that were charged to expense as incurred. The clean-up activity was completed during the second quarter of fiscal 2007, and we do not expect to incur any additional charges related to this action.

The closure of this facility has resulted in annual cost savings of approximately $50 million per year beginning in fiscal 2007. These annual savings include: approximately $49 million in cost of sales, of which approximately $7 million relates to non-cash depreciation savings, and approximately $1 million in SMG&A expenses. At current demand levels, if this facility were still in operation, the capacity of the facility would be largely underutilized resulting in significant adverse manufacturing variances associated with the underutilization of our wafer fabrication facilities.

*Reorganization of Product Development and Support Programs*

During the fourth quarter of fiscal 2005, we recorded a special charge of $11.2 million as a result of our decision to reorganize our product development and support programs with the goal of providing greater focus on our analog and digital signal processing product programs. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 60 manufacturing employees and 154 engineering and selling, marketing, general and administrative employees.

During fiscal 2006, we recorded an additional special charge of $3.8 million related to this reorganization action. Approximately $1.5 million of this charge was for lease obligation costs for a facility we ceased using during the first quarter of fiscal 2006 and the write-off of property, plant and equipment and other items at this facility. The remaining $2.3 million related to the severance and fringe benefit costs that were recorded in the fourth quarter of fiscal 2006 pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 46 engineering and selling, marketing, general and administrative employees.

During the first quarter of fiscal 2007, we recorded an additional special charge of $1.6 million related to this reorganization action. Approximately $0.6 million of this charge was for contract termination costs. The remaining $1.0 million relates to severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan for six engineering employees.

During the second quarter of fiscal 2007, we recorded an additional special charge of $3.4 million related to this reorganization action. Approximately $3.2 million relates to the severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or minimum statutory requirements at foreign locations for 20 engineering and selling, marketing, general and administrative employees. The remaining $0.2 million of this charge was for lease obligation costs for a facility we ceased using during the second quarter of fiscal 2007.

During the fourth quarter of fiscal 2007, we reversed approximately $0.9 million of our severance accrual because some employees voluntarily left the company and other employees found alternative employment within the company, and were therefore no longer entitled to severance payments.

The employment of all employees included in this action has been terminated. We do not expect to incur any further charges related to this reorganization action. These organizational changes, which were fully implemented in the fourth quarter of fiscal 2007, are expected to result in savings of approximately $30 million per year. These savings are expected to be realized as follows: approximately $17 million in R&D expenses, approximately $10 million in SMG&A expenses and approximately $3 million in cost of sales. A portion of these savings associated with these charges is reflected in our fiscal 2007 results.

*Fourth Quarter of Fiscal 2007 Special Charges*

*Consolidation of a Wafer Fabrication Facility in Limerick*

During the fourth quarter of fiscal 2007, we recorded a special charge of $13.7 million as a result of our decision to focus the wafer fabrication capacity at our Limerick facility on eight-inch technology. Certain manufacturing processes and products produced on our six-inch production line will transition to our existing eight-inch production line in Limerick while others will transition to external foundries. The charge is for severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan for 150 manufacturing employees. Production is expected to cease in the six-inch wafer fabrication facility during the first half of 2009, and the affected employees will be terminated. These employees must continue to be employed until their employment is involuntarily terminated in order to receive the severance benefit. We expect to incur additional expenses related to this action during fiscal year 2009 of approximately $6 million related to cleanup and closure costs. In accordance with SFAS 146, these costs will be expensed as incurred. The closure of this facility is estimated to result in annual cost savings of approximately $25 million per year, expected to start during the second quarter of fiscal 2009. These annual savings will be in cost of sales, of which approximately $1 million relates to non-cash depreciation savings.

*Reduction of Overhead Infrastructure Costs*

During the fourth quarter of fiscal 2007, we decided to either deemphasize or exit certain businesses or products and focus investments in products and end markets where we have better opportunities for profitable growth. In September 2007, we entered into a definitive agreement to sell our Baseband Chipset Business. As a result of these decisions, we decided to reduce the support infrastructure in manufacturing, engineering and SMG&A to more appropriately reflect our required overhead structure. Consequently, we recorded a special charge of $12.3 million, of which $10.7 million is for severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 25 manufacturing employees and 127 engineering and selling, marketing, general and administrative employees. The remaining $1.6 million is for contract termination costs related to a license agreement associated with products we will no longer develop and for which there is no future alternative use. As of November 3, 2007, 77 of the 152 employees included in this cost reduction action were still employed by us. These employees must continue to be employed until their employment is involuntarily terminated in order to receive the severance benefit. These cost reduction actions are expected to result in savings of approximately $15 million per year once substantially completed in the second quarter of fiscal 2008. These savings are expected to be realized as follows: approximately $7 million in R&D expenses, approximately $6 million in SMG&A expenses and approximately $2 million in cost of sales.

*Operating Income from Continuing Operations*

| | Fiscal Year | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| Operating income from Continuing Operations | $ 566,186 | $ 522,395 | $ 478,561 |
| Operating income from Continuing Operations as a % of Total Revenue | 22.2% | 22.3% | 22.4% |

Operating income increased by $43.8 million, or 8%, in fiscal 2007 as compared to fiscal 2006. This increase was the result of a $203.2 million increase in revenue, which was offset by a 0.2% reduction in gross margin percentage and a $72.3 million increase in operating expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*, *Special Charges* and *Purchased In-process Research and Development*.

The $43.8 million, or 9%, increase in operating income in fiscal 2006 as compared to fiscal 2005 was primarily the result of a 10% increase in revenue. This increase was partially offset by $69.8 million of stock-based operating expenses associated with the adoption of SFAS 123R and the $21.7 million write-off of purchased in-process research and development as a result of our fiscal 2006 acquisitions. In addition, the special charges in fiscal 2006 were lower by $29.7 million than the special charges recorded in fiscal 2005.

*Nonoperating (Income) Expense*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Interest expense | $ — | $ 52 | $ 27 |
| Interest income | (77,007) | (100,169) | (71,688) |
| Other, net | (15,727) | (10,472) | (42) |
| Total nonoperating income | $ (92,734) | $ (110,589) | $ (71,703) |

The $17.9 million decrease in nonoperating income in fiscal 2007 as compared to fiscal 2006 was a result of lower invested cash balances that were partially offset by the higher interest rates in fiscal 2007 as compared to fiscal 2006. This decrease in interest income was partially offset by a $7.9 million gain from the sale of an investment and a $10.5 million settlement we received in fiscal 2007. In fiscal 2006, we also recognized a $13.0 million gain on the sale of our DSP-based DSL ASIC and network processor product line.

Nonoperating income increased by $38.9 million in fiscal 2006 as compared to fiscal 2005. This increase was primarily the result of higher interest income, which was primarily attributable to higher interest rates in fiscal 2006 as compared to fiscal 2005. Nonoperating income for fiscal 2006 also included a $13.0 million gain on the sale of our DSP-based DSL ASIC and network processor product line during the second quarter of fiscal 2006.

*Provision for Income Taxes*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Provision for Income Taxes | $ 158,444 | $ 117,418 | $ 174,320 |
| Effective Income Tax Rate | 24.0% | 18.5% | 31.7% |

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned. Our effective tax rate for fiscal 2007 was higher by 550 basis points compared to our effective tax rate for fiscal 2006. This increase was primarily attributable to the recording of tax benefits of $35.2 million associated with the completion of an Internal Revenue Service, or IRS, examination during fiscal 2006, including the reversal of penalty accruals and the filing of refund claims in other jurisdictions associated with the completion of the IRS audit. The increase was also attributable to the following fiscal 2007 transactions, which were taxed at the higher U.S. tax rate: the one-time receipt of $35 million associated with the licensing of intellectual property to a third party, the gain on the sale of an investment of $7.9 million and the $19 million received from the settlement of litigation. In addition, we recorded an additional $4.4 million of taxes and penalties in fiscal 2007 for proposed adjustments related to the IRS examination of fiscal 2005 and fiscal 2004 and a $5.6 million tax adjustment related to the finalization of the accounting associated with a fiscal 2006 acquisition. These items were partially offset by a tax benefit of $4.7 million from the reinstatement of the U.S. federal research and development tax credit in fiscal 2007 and a $9.9 million cumulative adjustment recorded in fiscal 2007 related to the application of this credit to a portion of our fiscal 2006 results.

The tax rate was lower in fiscal 2006 as compared to fiscal 2005 primarily due to the recording of tax benefits of $35.2 million associated with the completion of an IRS examination during fiscal 2006, including the reversal of penalty accruals and the filing of refund claims in other jurisdictions associated with the completion of the IRS audit. In addition, the effective tax rate was higher in fiscal 2005 as a result of our repatriation of foreign earnings and the write-off of deferred tax assets associated with balances accumulated in our deferred compensation plan as more fully described below.

On October 22, 2004, the American Jobs Creation Act of 2004, or the AJCA, was signed into law. The AJCA created a temporary incentive for U.S. multinational corporations to repatriate accumulated foreign income by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. During fiscal 2005, we repatriated $1,055 million of accumulated foreign earnings, taking the benefit of current tax law allowing for earnings repatriated prior to October 29, 2005 to be taxed at a reduced effective tax rate. In connection with the repatriation of earnings, we recorded additional income tax expense of $49 million in fiscal 2005.

We had originally established a deferred tax asset on our consolidated balance sheet with the expectation that the officers subject to the 162(m) limitation of the Internal Revenue Code would not withdraw their balances from the Analog Devices, Inc. Deferred Compensation Plan, or the deferred compensation plan, while they were still subject to the 162(m) limitation, and we would receive a tax deduction at the time of withdrawal, generally upon their retirement. Due to changes in tax law during 2005 that were enacted as part of the AJCA, the laws associated with distributions from deferred compensation plans changed. In fiscal 2005 three executive officers who were subject to the 162(m) limitation withdrew, or indicated their intention to withdraw a portion of their balances from the deferred compensation plan. As a result, we incurred additional income tax expense in fiscal 2005 of $7.2 million due to the write-off of deferred tax assets associated with balances accumulated in the deferred compensation plan.

*Net Income from Continuing Operations*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Net income from Continuing Operations | $ 500,695 | $ 516,314 | $ 375,944 |
| Net income from Continuing Operations as a % of Total Revenue | 19.7% | 22.0% | 17.6% |
| Diluted EPS from Continuing Operations | $ 1.51 | $ 1.39 | $ 0.98 |

Net income from continuing operations was lower in fiscal 2007 than in fiscal 2006 by approximately $15.6 million primarily as a result of the $17.9 million decrease in nonoperating income and the impact of a higher effective income tax rate in fiscal 2007, partially offset by the $43.8 million increase in operating income from continuing operations.

Net income from continuing operations increased by $140.4 million in fiscal 2006 as compared to fiscal 2005, primarily as the result of the 10% increase in revenue, the increase in nonoperating income and lower tax expense. This increase in net income was partially offset by a year-to-year increase in operating expenses of $78.0 million, primarily as a result of $62.2 million of stock-based operating expenses related to the adoption of SFAS 123R and $22.2 million of operating expenses related to our acquisitions during fiscal 2006. These operating expense increases were partially offset by a $29.7 million decrease in special charges in fiscal 2006 as compared to fiscal 2005.

The impact of inflation and foreign currency exchange rate movement on our business during the past three fiscal years has not been significant.

*Discontinued Operations*

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Net (loss) income from discontinued operations | $ (3,788) | $ 33,168 | $ 38,843 |
| Diluted (loss) earnings per share from discontinued operations | $ (0.01) | $ 0.09 | $ 0.10 |

We entered into a definitive agreement in the fourth quarter of fiscal 2007 to sell our Baseband Chipset Business to MediaTek Inc. Accordingly, these operations have been presented as a discontinued operation within the consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144)*. We expect to record a gain from the sale of this business upon the completion of the sale in the first quarter of fiscal 2008. We estimate this gain after taxes will be in the range of $150 million to $160 million.

*Acquisitions*

In the third quarter of fiscal 2006, we completed a transaction with TTPCom Limited (TTPCom), whereby TTPCom transferred to us intellectual property, engineering resources, and related assets associated with the support and customization of TTPCom’s GSM/GPRS/EDGE modem software for use on our existing and future generations of SoftFone® baseband processors. We also acquired development rights for AJAR, TTPCom’s advanced applications platform. As a result of this transaction, we became the single point of contact for both hardware and software support for our new and existing wireless handset customers, thus improving our abilities to service the needs of individual customers. We paid TTPCom $11.9 million in initial cash payments. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The estimated fair values of the assets exceeded the initial payments by $7.8 million, resulting in negative goodwill. Pursuant to Statement of Financial Accounting Standards (SFAS) No 141, *Business Combinations*, we recorded a liability for the contingent consideration that will be accounted for as additional purchase price, up to the amount of the negative goodwill. As contingent payments became due, the payments were applied against the contingent liability. As of October 28, 2006, we had paid $6 million of contingent payments and the remaining contingent liability was $1.8 million. The purchase price included $5.5 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the third quarter of fiscal 2006. The in-process technology related to software code developed for use in our semiconductor chipsets manufactured for devices that use both the 2G and 2.5G cellular wireless technology standards. The fair value of the in-process technology was determined with the assistance of a third party using the income approach. At the time of the acquisition, the in-process technology was approximately 56% complete. As of November 3, 2007, the in-process research and development projects were complete. During fiscal 2007, we paid an additional $6.1 million of contingent consideration, which resulted in reducing the $1.8 million liability and recording additional goodwill of $4.3 million. As of November 3, 2007, all technological milestones have been met and no additional payments will be made. The acquisition also included $13.2 million of intangible assets that were being amortized over their estimated useful lives of five years using an accelerated amortization method that reflects the estimated pattern of economic use. As a result of the definitive agreement to sell our Baseband Chipset Business to MediaTek Inc., $7.9 million and $11.4 million of net intangible assets were reclassified to assets of discontinued operations at November 3, 2007 and October 28, 2006, respectively, as the TTPCom assets will be transferred to Media Tek Inc. as part of the transaction. See Note 2u. to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding assets of discontinued operations.

In the fourth quarter of fiscal 2006, we acquired substantially all the outstanding stock of privately-held Integrant Technologies, Inc. (Integrant) of Seoul, Korea. The acquisition enabled us to enter the mobile TV market and strengthened our presence in the Asian region. We paid $127.2 million in initial cash payments at closing and may be obligated to make additional cash payments of up to an aggregate of $33 million upon the satisfaction of certain conditions. The initial cash payments included $4.2 million held in escrow for the purchase of the remaining non-founder outstanding shares. These shares were purchased during fiscal 2007 and were recorded as additional goodwill. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. We completed the final purchase accounting for this transaction during the first quarter of fiscal 2007, which resulted in an additional $5.6 million of goodwill. The $33 million of potential cash payments is comprised of $25 million for the achievement of revenue-based milestones that may be payable during the period from July 2006 through December 2007 and $8 million related to the purchase of shares from the founder of Integrant during the period from July 2007 through July 2009. The additional cash payments will be recorded as additional purchase price. During fiscal 2007, we paid $3.5 million to repurchase founder shares. No revenue-based milestones have been met as of November 3, 2007. The purchase price included $11.1 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the fourth quarter of fiscal 2006. The in-process technology related to technologies currently in development for Dual DAB, T-DMB, DVB-H, RFID and WiBro applications. The fair value of the in-process technology was determined with the assistance of a third party using the income approach. At the time of the acquisition, the in-process technology was approximately 74% complete. As of November 3, 2007, the in-process research and development projects were complete. The acquisition also included $21.6 million of intangible assets that are being amortized over their estimated useful lives of two to five years using an accelerated amortization method that reflects the estimated pattern of economic use.

In the fourth quarter of fiscal 2006, we acquired all the outstanding stock of privately-held AudioAsics A/S (AudioAsics) of Roskilde, Denmark. The acquisition of AudioAsics allows us to continue developing our low-power audio solutions, while expanding our presence in the Nordic and Eastern European regions. We paid $19.3 million in initial cash payments at closing and may be obligated to make additional cash payments of up to an aggregate of $8 million upon the satisfaction of certain conditions. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The $8 million of potential cash payments is comprised of $4.8 million for the achievement of revenue-based milestones that may be payable during the period from October 2006 through January 2009 and $3.2 million based on the achievement of technological milestones during the period from October 2006 through January 2009. In order to be entitled to receive $2.4 million of the revenue-based contingent consideration, certain key employees must continue to be employed by us. As such, that portion of the revenue-based contingent consideration will be recorded as compensation expense when, and if, it is earned. The technological milestones require post-acquisition services to be rendered in order to be achieved and, as such, will be recorded as compensation expense when earned. The purchase price included $5.1 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the fourth quarter of fiscal 2006. The in-process technology related to technologies currently in development for analog and digital microphone pre-amplifiers. The fair value of the in-process technology was determined with the assistance of a third party using the income approach. At the time of the acquisition, the in-process technology was approximately 69% complete. As of November 3, 2007, the in-process research and development projects were complete. The acquisition also included $8.3 million of intangible assets that are being amortized over their estimated useful lives of five years using an accelerated amortization method that reflects the estimated pattern of economic use. As of November 3, 2007, no contingent consideration has been paid.

Pro forma results of operations for TTPCom, Integrant and AudioAsics have not been provided herein as they were not material to us on either an individual or an aggregate basis. The results of operations of each acquisition are included in our consolidated statement of income from the date of such acquisition.

*Related Party Transaction*

One of our directors, who has served on our Board of Directors since 1988, became a director of Taiwan Semiconductor Manufacturing Company, or TSMC, in fiscal 2002 and continues to serve as a director of TSMC. Management believes the terms and prices for the purchases of products from TSMC are not affected by the presence of one of our directors on the Board of Directors of TSMC. We purchased approximately $302 million, $281 million and $224 million of products from TSMC in fiscal years 2007, 2006 and 2005, respectively. Approximately $47 million and $17 million were payable to TSMC as of November 3, 2007 and October 28, 2006, respectively. We anticipate that we will make significant purchases from TSMC in fiscal year 2008.

**Liquidity and Capital Resources**

| | Fiscal Year | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Net Cash Provided by Operations | $ 820,365 | $ 621,102 | $ 672,704 |
| Net Cash Provided by Operations as a % of Total Revenue | 32.2% | 26.5% | 31.5% |

At November 3, 2007, cash, cash equivalents and short-term investments totaled $1,081.2 million, a decrease of $1,047.1 million from the end of the fourth quarter of fiscal 2006. The primary sources of funds for fiscal 2007 were net cash generated from operating activities of $820.4 million and proceeds of $109.1 million from our employee stock plans. The principal uses of funds during fiscal 2007 were the repurchase of approximately 45.9 million shares of our common stock for an aggregate of $1,647.2 million, dividend payments of $228.3 million and capital expenditures of $141.8 million.

In the fourth quarter of fiscal 2007, we entered into a definitive agreement to sell our Baseband Chipset Business to MediaTek Inc. The cash flows from this discontinued operation have been combined with the operating, investing and financing cash flows from continuing operations (i.e. no separate classification of cash flows from discontinued operations) for all periods presented. We believe the absence of the cash flows from this discontinued operation will not have a material impact on our future liquidity and financial position. Additionally, as a result of this agreement, we reclassified certain assets and liabilities related to this business to assets or liabilities of discontinued operations. See Note 2u. to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding this discontinued operation.

The anticipated closure of the sale of our Baseband Chipset Business to MediaTek Inc. and the anticipated closure of the sale of our CPU voltage regulation and PC thermal monitoring business to ON Semiconductor

Corporation are expected to generate approximately $250 million to $270 million of cash in fiscal 2008 after the payment of all applicable taxes.

| | Fiscal Year | |
|---|---|---|
| | 2007 | 2006 |
| Accounts Receivable | $ 336,381 | $ 305,761 |
| Days Sales Outstanding* | 47 | 46 |
| Inventory | $ 347,519 | $ 362,945 |
| Days Cost of Sales in Inventory* | 118 | 133 |

* We use the annualized fourth quarter revenue in our calculation of days sales outstanding and we use the annualized fourth quarter cost of sales in our calculation of days cost of sales in inventory.

Accounts receivable at the end of fiscal 2007 increased by $30.6 million, or 10%, from the amount at the end of fiscal 2006. This increase was the result of higher sales in the last month of fiscal 2007 as compared to the last month of fiscal 2006.

Inventories at the end of fiscal 2007 decreased by $15.4 million, or 4%, from the amount at the end of fiscal 2006 and days cost of sales in inventory at the end of fiscal 2007 decreased by 15 days from the amount at the end of fiscal 2006. The decrease in inventory is a result of our continued effort to balance production, demand and inventory levels as well as the sale of inventory (valued at approximately $19 million at October 28, 2006) which had been built during fiscal 2006 in anticipation of the closure of the Sunnyvale, California wafer fabrication facility.

Current liabilities increased to $548.1 million at November 3, 2007, an increase of $57.2 million, or 11.6%, from $490.9 million at the end of fiscal 2006.

Net additions to property, plant and equipment including that related to our Baseband Chipset Business, which is reflected as a discontinued operation, were $141.8 million in fiscal 2007, $129.3 million in fiscal 2006 and $85.5 million in fiscal 2005. Fiscal 2008 capital expenditures are expected to total approximately $160 million.

During fiscal 2007, our Board of Directors declared cash dividends totaling $0.70 per outstanding share of common stock resulting in dividend payments of $228.3 million in fiscal 2007. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity. After the end of the fiscal year, on November 26, 2007, our Board of Directors declared a cash dividend of $0.18 per outstanding share of our common stock. The dividend is payable on December 26, 2007 to shareholders of record on December 7, 2007 and is expected to total approximately $54 million.

On May 11, 2005, our Board of Directors authorized an increase in the aggregate dollar amount of common stock that may be repurchased under our share repurchase program previously adopted by our Board of Directors on August 11, 2004 from $500 million to $1 billion. On March 14, 2006, our Board of Directors authorized the repurchase by us of an additional $1 billion of our common stock, increasing the total amount of our common stock we can repurchase from $1 billion to $2 billion of our common stock. On December 6, 2006, our Board of Directors authorized the repurchase by us of an additional $1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase from $2 billion to $3 billion. On June 6, 2007, our Board of Directors authorized the repurchase by us of an additional $1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase from $3 billion to $4 billion. Under the repurchase program, we may repurchase outstanding shares of our common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program. During fiscal 2007, we repurchased approximately $1,647.2 million of our common stock under this plan. As of November 3, 2007, we had $665.2 million of authorized repurchases remaining under our repurchase program. We plan to continue to repurchase shares during fiscal 2008. The timing and number of shares repurchased can not be reasonably estimated at this time; however, from the end of fiscal year 2007 through November 26, 2007, we repurchased approximately 4.6 million shares for approximately $151 million.

The table below summarizes our contractual obligations as of November 3, 2007:

| (thousands) | Total | Less than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | Payment due by period | | |
| Contractual obligations: | | | | | |
| Operating leases[a] | $ 91,478 | $ 30,774 | $ 39,173 | $ 9,272 | $ 12,259 |
| Deferred compensation plan[b] | 36,553 | 1,233 | 1,233 | — | 34,087 |
| Pension funding[c] | 7,993 | 7,993 | — | — | — |
| Total | $ 136,024 | $ 40,000 | $ 40,406 | $ 9,272 | $ 46,346 |

(a) Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

(b) These payments relate to obligations under our deferred compensation plan. The deferred compensation plan allows certain members of management and other highly-compensated employees and non-employee directors to defer receipt of all or any portion of their compensation. Prior to January 1, 2005, participants could also defer gains on stock options and restricted stock granted before July 23, 1997. The amount in the "More than 5 Years" column of the table represents the remaining total balance under the deferred compensation plan to be paid to participants who have not terminated employment. Since we cannot reasonably estimate the timing of withdrawals for participants who have not yet terminated employment we have included the future obligation to these participants in the "More than 5 Years" column of the table. All other columns represent installment payments to be made to those employees who have retired or are on long-term disability.

(c) Our funding policy for our foreign defined benefit plans is consistent with the local requirements of each country. The payment obligations in the table are estimates of our expected contributions to these plans for fiscal year 2008. The actual future payments may differ from the amounts presented in the table and reasonable estimates of payments beyond one year are not practical because of potential future changes in variables such as plan asset performance, interest rates and the rate of increase in compensation levels.

Purchase orders for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the total amount of these purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. In addition, our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

The expected timing of payments and the amounts of the obligations discussed above are estimated based on current information.

At November 3, 2007, our principal source of liquidity was $1,081.2 million of cash, cash equivalents and short-term investments. We believe that our existing sources of liquidity and cash expected to be generated from future operations, together with anticipated available long-term financing, will be sufficient to fund operations, capital expenditures and research and development efforts for at least the next twelve months and thereafter for the foreseeable future.

*Off-balance Sheet Financing*

As of November 3, 2007, we had no off-balance sheet financing arrangements.

**Outlook**

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Unless specifically mentioned, these statements do not give effect to the potential impact of any mergers, acquisitions, divestitures, or business combinations that may be announced or closed after the date of filing this report. These statements supersede all prior statements regarding business outlook made by the Company. Upon entering into the definitive agreement to sell our CPU Voltage regulator and PC thermal monitoring business on November 8, 2007, the assets of this business met the held-for-sale criteria, and will therefore be reclassified as discontinued operations during the first quarter of fiscal 2008. This business generated approximately $25 million of sales in the fourth quarter of fiscal 2007. Therefore, once we reclassify the $25 million of revenue to discontinued operations, our fourth quarter revenue will be $623 million. On this basis, we expect product sales from continuing operations in the first quarter of fiscal 2008 to be approximately $610 million to $635 million. Gross margin percentage is planned to be up slightly in the first quarter of fiscal 2008 as compared to the fourth quarter of fiscal 2007. Diluted EPS is planned to be approximately $0.38 to $0.42 for the first quarter of fiscal 2008.

As previously announced, we also expect to close on the sales of two businesses in the first quarter of fiscal 2008. The estimated gains on these sales are not reflected in the estimates above. We expect to realize a gain, net of tax, of between approximately $150 million and $160 million related to the sale of our Baseband Chipset Business to MediaTek Inc. We also expect to recognize a gain, net of taxes of between approximately $52 million and $60 million related to the sale of our CPU voltage regulation and PC thermal monitoring business. The gains on both of these sales will be included in income from discontinued operations.

**New Accounting Pronouncements**

*Accounting for Financial Assets and Financial Liabilities*

In February 2007, the Financial Accounting Standards Board (FASB), issued Statement of Financial Accounting Standard (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007, which is our fiscal year 2009 that begins on November 2, 2008. We are currently evaluating the impact, if any, that SFAS 159 may have on our financial condition and results of operations.

*Fair Value Measurements*

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is our fiscal year 2009 that begins on November 2, 2008. We are currently evaluating the impact that SFAS 157 may have on our financial condition and results of operations.

*Accounting for Prior Year Misstatements*

In September 2006, the United States Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of the company’s balance sheet and statement of operations and the related financial statement disclosures. SAB 108 permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The adoption of SAB 108 in the first quarter of fiscal 2007 did not have any impact on our financial condition or results of operations.

*Accounting for Defined Benefit Pension and Other Postretirement Plans*

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — An Amendment of FASB Statements No. 87, 88, 106, and 132R* (SFAS 158). SFAS 158 requires companies to recognize the funded status of pension and other postretirement benefit plans on sponsoring employers' balance sheets and to recognize changes in the funded status in the year the changes occur. It also requires the measurement date of plan assets and obligations to occur at the end of the employers' fiscal year. SFAS 158 was effective for us at the end of fiscal 2007, except for the change in measurement date, which is effective for us in fiscal 2009. The adoption of SFAS 158 in the fourth quarter of fiscal 2007 did not have a material impact on our financial condition or results of operations.

*Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact, if any, that FIN 48 may have on our financial condition or results of operations.

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of the financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future based on available information. We consider the following accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. We also have other policies that we consider key accounting policies, such as our policy for revenue recognition, including the deferral of revenue on sales to distributors until the products are sold to the end user; however, the application of these policies does not require us to make significant estimates or judgments that are difficult or subjective.

*Inventory Valuation*

Inventories are valued at the lower of cost (first-in, first-out method) or market. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology, and product life cycles, we write down inventories to net realizable value. We employ a variety of methodologies to determine the net realizable value of inventory. While a portion of the calculation is determined via reference to the age of inventory and lower of cost or market calculations, an element is subject to significant judgments made by us about future demand for our inventory. If actual demand for our products is less than our estimates, additional adjustments to existing inventories may need to be recorded in future periods.

*Allowance for Doubtful Accounts*

We maintain allowances for doubtful accounts, when appropriate, for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, our actual losses may exceed our estimates, and additional allowances would be required.

*Long-Lived Assets*

We review property, plant, and equipment and identified intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying value to future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of the assets exceeds their fair market value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. Although we have recognized no material impairment adjustments related to our property, plant, and equipment and identified intangible assets during the past three fiscal years, except those made in conjunction with restructuring actions, deterioration in our business in the future could lead to such impairment adjustments in future periods. Evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations. In addition, in certain instances, assets may not be impaired but their estimated useful lives may have decreased. In these situations, we amortize the remaining net book values over the revised useful lives.

*Goodwill*

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, goodwill is subject to annual impairment tests, or earlier if indicators of potential impairment exist and suggest that the carrying value of goodwill may not be recoverable from estimated discounted future cash flows. Because we have one reporting segment under SFAS 142, we utilize the entity-wide approach to assess goodwill for impairment and compare our market value to our net book value to determine if an impairment exists. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

*Accounting for Income Taxes*

We account for income taxes in accordance with SFAS 109, *Accounting for Income Taxes*, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. We evaluate the realizability of our deferred tax assets quarterly. At November 3, 2007, we had gross deferred tax assets of $210.9 million primarily resulting from temporary differences between the book and tax bases of assets and liabilities. We have conducted an assessment of the likelihood of realization of those deferred tax assets and concluded that a $46.8 million valuation allowance is needed to reserve the amount of the deferred tax assets that may not be realized due to the expiration of certain state credit carryovers. In reaching our conclusion, we evaluated certain relevant criteria including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years in the impacted state jurisdictions that can be used to absorb net operating losses and taxable income in future years. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to these deferred tax assets, resulting in a reduction in net income or an increase in net loss in the period when such determinations are made.

In the ordinary course of global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of cost reimbursement and royalty arrangements among related entities. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which such determination is made.

*Stock-Based Compensation*

The adoption of SFAS 123R in the first quarter of fiscal 2006 required that stock-based compensation expense associated with stock options and related awards be recognized in the statement of income, rather than being disclosed in a pro forma footnote to the consolidated financial statements. Determining the amount of stock-based compensation to be recorded requires us to develop estimates to be used in calculating the grant-date fair value of stock options. We calculate the grant-date fair values using the Black-Scholes valuation model. The use of valuation models requires us to make estimates of the following assumptions:

*Expected volatility* — We are responsible for estimating volatility and have considered a number of factors, including third-party estimates, when estimating volatility. For options granted prior to fiscal 2005, we used historical volatility to estimate the grant-date fair value of stock options. We changed our method of estimating expected volatility for all stock options granted for fiscal 2005 and thereafter from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review we undertook, which included consultations with several third-party advisors. Historical volatility during the period commensurate with the expected term of our stock options over the past several years included a period of time when our stock price experienced unprecedented increases and subsequent declines. We believe that this past stock price volatility is unlikely to be indicative of future stock price behavior, and as such, we currently believe that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility we concluded that: (1) options in the Company's common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the maturities of the traded options used to estimate volatility are at least one year.

*Expected term* — We use historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. We believe that this historical data is currently the best estimate of the expected term of a new option, and that generally, all of our employees exhibit similar exercise behavior. In general, the longer the expected term used in the Black-Scholes valuation model, the higher the grant-date fair value of the option.

*Risk-free interest rate* — The yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

*Expected dividend yield* — Expected dividend yield is calculated by annualizing the cash dividend declared by our Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant of the option. Until such time as our Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Cash dividends are not paid on options, restricted stock or restricted stock units.

The amount of stock-based compensation expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. Based on an analysis of our historical forfeitures, we have applied an annual forfeiture rate of 4.3% to all unvested stock-based awards as of November 3, 2007. The rate of 4.3% represents the portion that is expected to be forfeited each year over the vesting period. This analysis is re-evaluated quarterly and the forfeiture rate is adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those awards that vest.

*Contingencies*

From time to time, we receive notices that our products or manufacturing processes may be infringing the patent or intellectual property rights of others. We periodically assess each matter to determine if a contingent liability should be recorded in accordance with SFAS 5, *Accounting for Contingencies*. In making this determination, we may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. Based on the information we obtain, combined with our judgment regarding all the facts and circumstances of each matter, we determine whether it is probable that a contingent loss may be incurred and whether the amount of such loss can be reasonably estimated. If a loss is probable and reasonably estimable, we record a contingent loss in accordance with SFAS 5. In determining the amount of a contingent loss, we consider advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations that may be ongoing, prior case history and other factors. If the judgments and estimates made by us are incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations. See Note 12 in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for additional information regarding our commitments and contingencies.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

*Interest Rate Exposure*

Based on our marketable securities and short term investments outstanding as of November 3, 2007 and October 28, 2006, our annual interest income would change by approximately $9 million and $16 million, respectively, for each 100 basis point increase or decrease in interest rates. The fair values of our investment portfolio at November 3, 2007 and October 28, 2006 would change by approximately $2 million and $6 million, respectively, for each 100 basis point increase or decrease in rates.

*Foreign Currency Exposure*

As more fully described in Note 2i. in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K, we regularly hedge our non-U.S. dollar-based exposures by entering into forward exchange contracts. The terms of these contracts are for periods matching the duration of the underlying exposure and generally range from one month to twelve months. The fair values of these instruments were approximately $7 million at November 3, 2007 and were insignificant at October 28, 2006. Currently, our largest foreign currency exposure is the Euro, primarily because our European operations have the highest proportion of our local currency denominated expenses. Relative to foreign currency exposures existing at November 3, 2007 and October 28, 2006, a 10% unfavorable movement in foreign currency exchange rates would not expose us to significant losses in earnings or cash flows because we hedge substantially all of our year-end exposures against fluctuations in foreign currency exchange rates. For contracts outstanding at November 3, 2007, a 10% unfavorable movement in foreign currency exchange rates from the rates as of our 2007 fiscal year end would increase the fair value of our foreign currency financial instruments by approximately $24 million and a 10% favorable movement in foreign currency exchange rates would decrease their fair value by approximately $9 million. As at October 28, 2006, a 10% movement in foreign currency exchange rates from the rates as of our 2006 fiscal year end would not expose us to significant gains or losses in the contracts' fair values. The calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, such changes typically affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. Our sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency selling prices.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## ANALOG DEVICES, INC.

## CONSOLIDATED STATEMENTS OF INCOME
### Years ended November 3, 2007, October 28, 2006 and October 29, 2005

| (thousands, except per share amounts) | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Revenue** | | | |
| Product revenue | $ 2,511,117 | $ 2,342,919 | $ 2,134,800 |
| Revenue from one-time IP license | 35,000 | — | — |
| Total Revenue | 2,546,117 | 2,342,919 | 2,134,800 |
| **Costs and Expenses** | | | |
| Cost of sales(1) | 1,026,900 | 939,753 | 853,485 |
| Gross margin | 1,519,217 | 1,403,166 | 1,281,315 |
| Operating expenses: | | | |
| Research and development(1) | 519,315 | 469,396 | 438,183 |
| Selling, marketing, general and administrative(1) | 393,221 | 387,874 | 333,091 |
| Purchased in-process research and development | — | 21,711 | — |
| Special charges | 40,495 | 1,790 | 31,480 |
| | 953,031 | 880,771 | 802,754 |
| Operating income from continuing operations | 566,186 | 522,395 | 478,561 |
| Nonoperating (income) expenses: | | | |
| Interest expense | — | 52 | 27 |
| Interest income | (77,007) | (100,169) | (71,688) |
| Other, net | (15,727) | (10,472) | (42) |
| | (92,734) | (110,589) | (71,703) |
| **Earnings** | | | |
| Income from continuing operations before income taxes and minority interest | 658,920 | 632,984 | 550,264 |
| Provision for income taxes: | | | |
| Payable currently | 161,294 | 145,872 | 159,716 |
| Deferred | (2,850) | (28,454) | 14,604 |
| | 158,444 | 117,418 | 174,320 |
| Minority interest | 219 | 748 | — |
| Net income from continuing operations | 500,695 | 516,314 | 375,944 |
| Net (loss) income from discontinued operations | (3,788) | 33,168 | 38,843 |
| Net income | $ 496,907 | $ 549,482 | $ 414,787 |
| Shares used to compute earnings per share — Basic | 323,255 | 358,762 | 371,791 |
| Shares used to compute earnings per share — Diluted | 332,301 | 370,964 | 383,474 |
| **Earnings per share — Basic** | | | |
| Net income from continuing operations | $ 1.55 | $ 1.44 | $ 1.01 |
| Net income | $ 1.54 | $ 1.53 | $ 1.12 |
| **Earnings per share — Diluted** | | | |
| Net income from continuing operations | $ 1.51 | $ 1.39 | $ 0.98 |
| Net income | $ 1.50 | $ 1.48 | $ 1.08 |
| Dividends declared per share | $ 0.70 | $ 0.56 | $ 0.32 |
| (1) Includes stock-based compensation expense as follows: | | | |
| Cost of sales | $ 10,591 | $ 7,630 | $ — |
| Research and development | 29,893 | 31,119 | 4,870 |
| Selling, marketing, general and administrative | 27,544 | 32,604 | — |

See accompanying Notes.

**ANALOG DEVICES, INC.**

**CONSOLIDATED BALANCE SHEETS**
**November 3, 2007 and October 28, 2006**

| (thousands, except per share amounts) | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 424,972 | $ 343,947 |
| Short-term investments | 656,235 | 1,784,387 |
| Accounts receivable less allowances of $3,611 ($2,533 in 2006) | 336,381 | 305,761 |
| Inventories(1) | 347,519 | 362,945 |
| Deferred tax assets | 111,682 | 91,045 |
| Deferred compensation plan investments | 1,233 | 1,109 |
| Prepaid expenses and other current assets | 50,130 | 82,770 |
| Current assets of discontinued operations | 50,843 | 39,338 |
| Total current assets | 1,978,995 | 3,011,302 |
| **Property, Plant and Equipment, at Cost** | | |
| Land and buildings | 372,162 | 353,912 |
| Machinery and equipment | 1,414,316 | 1,347,986 |
| Office equipment | 76,802 | 77,001 |
| Leasehold improvements | 62,883 | 107,524 |
| | 1,926,163 | 1,886,423 |
| Less accumulated depreciation and amortization | 1,369,224 | 1,331,482 |
| Net property, plant and equipment | 556,939 | 554,941 |
| **Other Assets** | | |
| Deferred compensation plan investments | 35,210 | 30,579 |
| Other investments | 1,692 | 850 |
| Goodwill | 279,469 | 256,209 |
| Intangible assets, net | 24,153 | 31,441 |
| Deferred tax assets | 52,491 | 54,734 |
| Other assets | 43,000 | 27,744 |
| Non-current assets of discontinued operations | — | 19,051 |
| Total other assets | 436,015 | 420,608 |
| | $ 2,971,949 | $ 3,986,851 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 159,086 | $ 122,926 |
| Deferred income on shipments to distributors | 151,730 | 146,723 |
| Income taxes payable | 65,690 | 60,956 |
| Deferred compensation plan liability | 1,233 | 1,109 |
| Accrued liabilities | 150,543 | 145,913 |
| Current liabilities of discontinued operations | 19,769 | 13,316 |
| Total current liabilities | 548,051 | 490,943 |
| **Noncurrent Liabilities** | | |
| Deferred income taxes | 10,146 | 3,414 |
| Deferred compensation plan liability | 35,320 | 30,633 |
| Other noncurrent liabilities | 40,291 | 25,851 |
| Total noncurrent liabilities | 85,757 | 59,898 |
| Minority interest | — | 217 |
| Commitments and contingencies (Note 12) | | |
| **Shareholders' Equity** | | |
| Preferred stock, $1.00 par value, 471,934 shares authorized, none outstanding | — | — |
| Common stock, $0.16²/₃ par value, 1,200,000,000 shares authorized, 303,354,180 shares issued and outstanding (342,000,004 on October 28, 2006) | 50,560 | 57,001 |
| Capital in excess of par value | — | — |
| Retained earnings | 2,253,483 | 3,378,999 |
| Accumulated other comprehensive income (loss) | 34,098 | (207) |
| Total shareholders' equity | 2,338,141 | 3,435,793 |
| | $ 2,971,949 | $ 3,986,851 |

(1) Includes $3,371 and $3,703 related to stock-based compensation at November 3, 2007 and October 28, 2006, respectively.

See accompanying Notes.

**ANALOG DEVICES, INC.**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**Years ended November 3, 2007, October 28, 2006 and October 29, 2005**

| (thousands) | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income(Loss ) |
|---|---|---|---|---|---|
| **BALANCE, OCTOBER 30, 2004** | 375,840 | $ 62,641 | $ 759,551 | $ 2,973,631 | $ 3,749 |
| **Activity in Fiscal 2005** | | | | | |
| Net Income — 2005 | | | | 414,787 | |
| Dividends declared and paid | | | | (118,998) | |
| Issuance of stock under stock plans and other, net of repurchases | 5,606 | 934 | 89,701 | | |
| Tax benefit-stock options | | | 50,374 | | |
| Issuance of common stock in connection with acquisitions | 10 | 1 | 541 | | |
| Amortization of deferred stock-based compensation related to acquisitions | | | 3,095 | | |
| Other comprehensive loss | | | | | (23,013) |
| Common stock repurchased | (14,624) | (2,437) | (523,056) | | |
| **BALANCE, OCTOBER 29, 2005** | 366,832 | 61,139 | 380,206 | 3,269,420 | (19,264) |
| **Activity in Fiscal 2006** | | | | | |
| Net Income — 2006 | | | | 549,482 | |
| Dividends declared and paid | | | | (201,451) | |
| Issuance of stock under stock plans and other, net of repurchases | 5,824 | 971 | 94,408 | | |
| Tax benefit-stock options | | | 228,258 | | |
| Stock-based compensation expense | | | 77,573 | | |
| Issuance of common stock in connection with acquisitions | 10 | 2 | 541 | | |
| Amortization of deferred stock-based compensation related to acquisitions | | | 433 | | |
| Other comprehensive income | | | | | 19,057 |
| Common stock repurchased | (30,666) | (5,111) | (781,419) | (238,452) | |
| **BALANCE, OCTOBER 28, 2006** | 342,000 | 57,001 | — | 3,378,999 | (207) |
| **Activity in Fiscal 2007** | | | | | |
| Net Income — 2007 | | | | 496,907 | |
| Dividends declared and paid | | | | (228,281) | |
| Issuance of stock under stock plans and other, net of repurchases | 7,291 | 1,215 | | 107,934 | |
| Tax benefit-stock options | | | | 65,131 | |
| Stock-based compensation expense | | | | 72,349 | |
| Adoption of FAS 158 | | | | | 10,361 |
| Other comprehensive income | | | | | 23,944 |
| Common stock repurchased | (45,937) | (7,656) | — | (1,639,556) | |
| **BALANCE, NOVEMBER 3, 2007** | 303,354 | $ 50,560 | $ — | $ 2,253,483 | $ 34,098 |

See accompanying Notes.

**ANALOG DEVICES, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**Years ended November 3, 2007, October 28, 2006 and October 29, 2005**

| (thousands) | 2007 | 2006 | 2005 |
|---|---|---|---|
| Net income from continuing operations | $ 500,695 | $ 516,314 | $ 375,944 |
| Foreign currency translation adjustment | 10,640 | 5,838 | (1,595) |
| Minimum pension liability adjustment (net of taxes of $640 in 2007, $753 in 2006 and $1,324 in 2005) | 1,495 | 1,398 | (2,461) |
| Net unrealized gains (losses) on securities: | | | |
| Net unrealized holding gains (losses) (net of taxes of $2,746 in 2007, $4,034 in 2006 and $6,239 in 2005) on securities classified as short-term investments | 5,094 | 7,492 | (11,586) |
| Net unrealized holding (losses) gains (net of taxes of $100 in 2007, $235 in 2006 and $500 in 2005) on securities classified as other investments | (185) | (436) | (930) |
| Net unrealized gains (losses) on securities | 4,909 | 7,056 | (12,516) |
| Derivative instruments designated as cash flow hedges: | | | |
| Changes in fair value of derivatives | 6,128 | 4,876 | (4,718) |
| Realized loss (gain) reclassification | 772 | (111) | (1,723) |
| Net change in derivative instruments designated as cash flow hedges | 6,900 | 4,765 | (6,441) |
| Other comprehensive income (loss) | 23,944 | 19,057 | (23,013) |
| Comprehensive income from continuing operations | $ 524,639 | $ 535,371 | $ 352,931 |
| Net (loss) income from discontinued operations | (3,788) | 33,168 | 38,843 |
| Comprehensive income | $ 520,851 | $ 568,539 | $ 391,774 |

As a result of adopting the recognition principles of SFAS 158 on November 3, 2007, the Company recorded a $10.4 million adjustment, net of tax of $1.4 million, to accumulated other comprehensive income. In accordance with the requirements of SFAS 158, this adjustment has been excluded from the above presentation of comprehensive income for fiscal year 2007.

See accompanying Notes.

**ANALOG DEVICES, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years ended November 3, 2007, October 28, 2006 and October 29, 2005**

| (thousands) | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Operations** | | | |
| Cash flows from operations: | | | |
| Net income | $ 496,907 | $ 549,482 | $ 414,787 |
| Adjustments to reconcile net income to net cash provided by operations: | | | |
| Depreciation | 142,173 | 166,851 | 153,181 |
| Amortization of intangibles | 12,610 | 5,312 | 2,383 |
| Stock-based compensation expense | 72,652 | 75,429 | 4,870 |
| Gain on sale of investments | (7,919) | — | — |
| Minority interest | (219) | (748) | — |
| Non-cash portion of special charges | 438 | 459 | — |
| Gain on sale of product line | — | (13,027) | — |
| Purchased in-process research and development | — | 21,711 | — |
| Other non-cash expense | 853 | 784 | 1,822 |
| Excess tax benefit — stock options | (40,871) | (181,178) | — |
| Tax benefit — stock options | — | — | 50,374 |
| Deferred income taxes | (2,850) | (28,454) | 14,604 |
| Change in operating assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (27,011) | (6,705) | 5,298 |
| Decrease (increase) in inventories | 16,549 | (52,043) | 22,797 |
| Decrease (increase) in prepaid expenses and other current assets | 34,890 | (17,327) | (7,320) |
| (Increase) decrease in investments — trading | (4,755) | 245,629 | 41,234 |
| Increase (decrease) in accounts payable, deferred income and accrued liabilities | 53,693 | 5,682 | (5,937) |
| Increase (decrease) in deferred compensation plan liability | 4,811 | (247,291) | (43,271) |
| Increase in income taxes payable | 53,119 | 96,336 | 15,003 |
| Increase in other liabilities | 15,295 | 200 | 2,879 |
| Total adjustments | 323,458 | 71,620 | 257,917 |
| Net cash provided by operations | 820,365 | 621,102 | 672,704 |
| **Investing Activities** | | | |
| Cash flows from investing: | | | |
| Additions to property, plant and equipment, net | (141,810) | (129,297) | (85,457) |
| Purchases of short-term available-for-sale investments | (1,807,476) | (2,483,123) | (3,457,017) |
| Maturities of short-term available-for-sale investments | 2,943,468 | 2,788,717 | 3,526,871 |
| Proceeds from sale of investment | 8,003 | — | — |
| Proceeds from sale of property, plant and equipment | — | 1,735 | — |
| Proceeds from sale of product line | — | 23,070 | — |
| Payments for acquisitions | (9,160) | (157,017) | — |
| (Increase) decrease in other assets | (8,438) | 723 | 5,644 |
| Net cash provided (used) by investing activities | 984,587 | 44,808 | (9,959) |
| **Financing Activities** | | | |
| Cash flows from financing activities: | | | |
| Dividend payments to shareholders | (228,281) | (201,451) | (118,998) |
| Repurchase of common stock | (1,647,212) | (1,024,982) | (525,493) |
| Proceeds from employee stock plans | 109,149 | 94,392 | 89,402 |
| Excess tax benefit — stock options | 40,871 | 181,178 | — |
| Net cash used by financing activities | (1,725,473) | (950,863) | (555,089) |
| Effect of exchange rate changes on cash | 1,546 | 1,309 | 995 |
| Net increase (decrease) in cash and cash equivalents | 81,025 | (283,644) | 108,651 |
| Cash and cash equivalents at beginning of year | 343,947 | 627,591 | 518,940 |
| Cash and cash equivalents at end of year | $ 424,972 | $ 343,947 | $ 627,591 |

See accompanying Notes.

ANALOG DEVICES, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**Years ended November 3, 2007, October 28, 2006 and October 29, 2005**
***(all tabular amounts in thousands except per share amounts)***

## 1. Description of Business

Analog Devices, Inc. ("Analog Devices" or the "Company") is a world leader in the design, manufacture and marketing of high-performance analog, mixed-signal and digital signal processing integrated circuits used in industrial, communication, computer and consumer applications. Since the Company's inception in 1965, it has focused on solving the engineering challenges associated with signal processing in electronic equipment. The Company's products are embedded inside electronics that people come into contact with every day. Real world signal processing describes the process of converting real-world phenomena such as temperature, motion, pressure, light and sound into electrical signals to be used in a wide array of electronic equipment including industrial process control, factory automation systems, defense electronics, portable wireless communications devices, cellular basestations, central office networking equipment, computers, automobiles, medical imaging equipment, digital cameras and digital televisions. Signal processing technology is a critical element of high-speed communications, digital entertainment, and other consumer, computer and industrial applications. As new generations of digital applications evolve, they generate new needs for high-performance analog signal processing and digital signal processing, or DSP, technology. The Company produces a wide range of products that are designed to meet the signal processing technology needs of a broad base of customers.

## 2. Summary of Significant Accounting Policies

### *a. Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. Upon consolidation, all intercompany accounts and transactions are eliminated. Amounts pertaining to the non-controlling ownership interest held by third parties in the operating results and financial position of the Company's majority-owned subsidiaries are reported as "minority interest." The Company's fiscal year is the 52-week or 53-week period ending on the Saturday closest to the last day in October. Fiscal year 2007 was a 53-week period. Fiscal years 2006 and 2005 were 52-week periods.

In September 2007, the Company entered into a definitive agreement to sell its baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. Accordingly, the Company's consolidated financial statements and related footnote disclosures have been restated for all reporting periods presented to reflect the results of these operations as discontinued operations, and unless otherwise noted, discussions in these notes pertain to the Company's continuing operations. See Note 2u. for additional information on the Company's discontinued operations.

### *b. Cash, Cash Equivalents and Short-term Investments*

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less at the time of acquisition. Cash, cash equivalents and short-term investments consist primarily of corporate obligations such as commercial paper and corporate bonds, and Treasury and government agency notes and bonds. They also include bank time deposits and institutional money market funds.

The Company classifies its investments in readily marketable debt and equity securities as "held-to-maturity," "available-for-sale" or "trading" at the time of purchase. There were no transfers between investment classifications in any of the fiscal years presented. Held-to-maturity securities, which are carried at amortized cost, include only those securities the Company has the positive intent and ability to hold to maturity. Securities, such as bank time deposits, which by their nature are typically held to maturity, are classified as such. The Company's other readily marketable cash equivalents and short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported in accumulated other comprehensive income (loss), which is a separate component of shareholders' equity. The Company's deferred compensation plan investments are classified as trading. See Note 7 for additional information on the Company's deferred compensation plan investments. Realized gains and losses, as well as interest, and dividends on all securities, are included in earnings.

The Company's short-term investments are adjusted to fair value at the end of each quarter. These adjustments to fair value are recorded as an increase or decrease in accumulated other comprehensive income (loss). No realized gains or losses were recorded during any of the fiscal years presented.

The Company periodically evaluates these investments for impairment in accordance with EITF Issue No. 03-01, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. When a decline in fair value is deemed to be other-than-temporary, the Company records an impairment adjustment in the statement of income. There were no other-than-temporary impairments of short-term investments in any of the fiscal years presented.

Unrealized gains and losses on available-for-sale short-term investments were as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Unrealized gains | $ 6 | $ — | $ 532 |
| Unrealized losses | (79) | (7,908) | (19,967) |
| Net unrealized losses | $ (73) | $ (7,908) | $ (19,435) |

Unrealized gains and losses in all fiscal years presented relate solely to U.S. Government Treasury and agency bonds.

There were no unrealized gains and losses on held-to-maturity investments in any of the fiscal years presented.

There were no cash equivalents or short-term investments classified as trading at November 3, 2007 and October 28, 2006. All of the Company's short-term investments were classified as available-for-sale. Short-term investments with maturities in excess of one year are classified as short term as they are available-for-sale securities and are available to be used in current operations. The components of the Company's cash, cash equivalents and short-term investments as of November 3, 2007 and October 28, 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|
| **Cash and cash equivalents:** | | |
| Cash | $ 30,034 | $ 42,944 |
| Available-for-sale: | | |
| Institutional money market funds | 152,013 | 42,803 |
| Corporate obligations | 89,250 | 104,925 |
| Held-to-maturity: | | |
| Euro time deposits | 153,675 | 153,275 |
| **Total cash and cash equivalents** | $ 424,972 | $ 343,947 |
| **Short-term investments:** | | |
| Securities with one year or less to maturity: | | |
| Corporate obligations | $ 527,278 | $ 856,196 |
| U.S. Government Treasury, agency and municipal notes | 128,957 | 801,821 |
| Total maturities less than 1 year | 656,235 | 1,658,017 |
| Securities with greater than one year to maturity: | | |
| U.S. Government Treasury, agency and municipal bonds | — | 126,370 |
| Total maturities greater than 1 year | — | 126,370 |
| **Total short-term investments** | $ 656,235 | $ 1,784,387 |

***c. Supplemental Cash Flow Statement Information***

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cash paid during the fiscal year for: | | | |
| Income taxes | $ 102,349 | $ 61,099 | $ 93,185 |
| Interest | $ — | $ 32 | $ 27 |

The Company's primary non-cash financing activities in fiscal 2006 and 2005 resulted from the amortization of unearned stock compensation expense associated with the Company's 2001 acquisitions for which 1,462,066 shares of common stock were issued (valued at approximately $81.8 million) and unvested stock options with an intrinsic value of approximately $11.9 million were assumed. As a result, the Company recognized stock-based compensation expense over the vesting period of $0.5 million in fiscal 2006 and $3.6 million in fiscal 2005.

***d. Inventories***

Inventories are valued at the lower of cost (first-in, first-out method) or market. The valuation of inventory requires the Company to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The Company employs a variety of methodologies to determine the net realizable value of its inventory. While a portion of the calculation to record inventory at its net realizable value is based on the age of the inventory and lower of cost or market calculations, a key factor in estimating obsolete or excess inventory requires the company to estimate the future demand for its products. If actual demand is less than the Company's estimates, impairment charges, which are recorded to cost of sales, may need to be recorded in future periods. Inventory in excess of saleable amounts is not valued, and the remaining inventory is valued at the lower of cost or market.

Inventories at November 3, 2007 and October 28, 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|
| Raw materials | $ 15,127 | $ 16,430 |
| Work in process | 241,728 | 255,233 |
| Finished goods | 90,664 | 91,282 |
| Total inventories | $ 347,519 | $ 362,945 |

***e. Property, Plant and Equipment***

Property, plant and equipment is recorded at cost less allowances for depreciation. The straight-line method of depreciation is used for all classes of assets for financial statement purposes; both straight-line and accelerated methods are used for income tax purposes. Leasehold improvements are amortized based upon the lesser of the term of the lease or the useful life of the asset. Depreciation and amortization are based on the following useful lives:

| | |
|---|---|
| Buildings & building equipment | Up to 25 years |
| Machinery & equipment | 3-8 years |
| Office equipment | 3-8 years |

Depreciation expense from continuing operations of property, plant and equipment was $139 million, $165 million and $151 million in fiscal 2007, 2006 and 2005, respectively.

The Company reviews property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amount to the future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of the assets exceeds their fair market value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. If such assets are not impaired, but their useful lives have decreased, the remaining net book value is amortized over the revised useful life.

### *f. Goodwill and Intangible Assets*

*Goodwill*

The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances suggest that the carrying value of goodwill may not be recoverable. Because the Company has one reporting segment under SFAS 142, the Company utilizes the entity-wide approach for assessing goodwill for impairment and compares its market value to its net book value to determine if an impairment exists. No impairment of goodwill resulted from the Company's most recent evaluation of goodwill for impairment, which occurred in the fourth quarter of fiscal 2007. No impairment of goodwill resulted in any of the fiscal years presented. The Company's next annual impairment assessment will be made in the fourth quarter of fiscal 2008 unless indicators arise that would require the Company to reevaluate at an earlier date. The following table presents the changes in goodwill during fiscal 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | $ 256,209 | $ 163,373 |
| Acquisition of TTPCom(1) | 4,273 | 812 |
| Acquisition of Integrant Technologies(2) | 13,282 | 80,641 |
| Acquisition of AudioAsics | — | 7,250 |
| Foreign currency translation adjustment | 5,705 | 4,133 |
| Balance at end of year | $ 279,469 | $ 256,209 |

(1) The Company paid its final milestone related to this acquisition in the second quarter of fiscal 2007.

(2) The Company completed the final purchase accounting for this transaction during the first quarter of fiscal 2007, which resulted in an additional $5.6 million of goodwill. The Company also purchased additional outstanding minority shares related to this acquisition during fiscal 2007, which resulted in an additional $7.7 million of goodwill.

*Intangible Assets*

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying value to future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of the assets exceeds their fair market value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

During fiscal 2006, the Company purchased certain assets from TTPCom Limited (TTPCom), substantially all of the shares of Integrant Technologies, Inc. and all of the shares of AudioAsics A/S (AudioAsics). See Note 6 for additional information on the Company's fiscal 2006 acquisitions. As a result of these acquisitions, the Company recorded $43.1 million of intangible assets at the current exchange rate on the date of acquisition. The acquired intangible assets consisted of the following:

| | TTPCom | Integrant | AudioAsics | Amortization Period |
|---|---|---|---|---|
| Technology-based | $ 11,600 | $ 18,027 | $ 5,700 | 5 years |
| Tradename | — | 458 | — | 2 years |
| Customer relationships | 1,600 | 2,562 | 2,600 | 2 or 5 years* |
| Other | — | 549 | — | 5 years |
| Total | $ 13,200 | $ 21,596 | $ 8,300 | |

* Acquired Integrant customer relationship intangible assets are amortized over two years and acquired TTPCom and AudioAsics customer relationship intangible assets are amortized over five years.

In connection with the sale of the Baseband Chipset Business to MediaTek Inc., net intangible assets of $7.9 million and $11.4 million acquired from TTPCom Limited were reclassified to assets of discontinued operations in fiscal 2007 and fiscal 2006, respectively. See Note 2u. for additional information on assets of discontinued operations.

Intangible assets, which will continue to be amortized, consisted of the following:

| | November 3, 2007 | | October 28, 2006 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Technology-based | $ 43,626 | $ 23,303 | $ 41,577 | $ 16,104 |
| Tradename | 1,687 | 1,403 | 1,635 | 995 |
| Customer relationships | 5,798 | 2,470 | 5,320 | 484 |
| Other | 6,582 | 6,364 | 6,617 | 6,125 |
| Total | $ 57,693 | $ 33,540 | $ 55,149 | $ 23,708 |

Intangible assets acquired prior to the third quarter of fiscal 2006 continue to be amortized on a straight-line basis over their estimated useful lives, which range from five to ten years. The remaining amortization expense will be recognized over a weighted-average period of approximately 1.6 years. The $43.1 million of intangible assets acquired during fiscal 2006 will be amortized over their estimated useful lives of two to five years using an accelerated method of amortization that is expected to reflect the estimated pattern of economic use.

Amortization expense from continuing operations, related to intangibles was $9.2 million, $3.5 million and $2.4 million in fiscal 2007, 2006 and 2005, respectively.

The Company expects annual amortization expense for these intangible assets to be:

| Fiscal Years | Amortization Expense |
|---|---|
| 2008 | $ 9,556 |
| 2009 | $ 7,377 |
| 2010 | $ 4,694 |
| 2011 | $ 2,334 |
| 2012 | $ 192 |

***g. Grant Accounting***

Certain of the Company's foreign subsidiaries have received various grants from governmental agencies. These grants include capital, employment and research and development grants. Capital grants for the acquisition of property and equipment are netted against the related capital expenditures and amortized as a credit to depreciation expense over the useful life of the related asset. Employment grants, which relate to employee hiring and training, and research and development grants are recognized in earnings in the period in which the related expenditures are incurred by the Company.

***h. Translation of Foreign Currencies***

The functional currency for the Company's foreign sales and research and development operations is the applicable local currency. Gains and losses resulting from translation of these foreign currencies into U.S. dollars are recorded in accumulated other comprehensive income (loss). Transaction gains and losses and remeasurement of foreign currency denominated assets and liabilities are included in income currently, including those at the Company's principal foreign manufacturing operations where the functional currency is the U.S. dollar. Foreign currency transaction gains or losses included in other expenses, net, were not material in fiscal 2007, 2006 or 2005.

***i. Derivative Instruments and Hedging Agreements***

The Company enters into forward foreign exchange contracts to offset certain operational and balance sheet exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily Euro; other exposures include Philippine Peso, British Pounds Sterling and Japanese Yen. These foreign exchange contracts are entered into to support product sales, purchases and financing transactions made in the normal course of business, and accordingly, are not speculative in nature. In accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly.

The Company records all derivative financial instruments in the consolidated financial statements in other current assets or accrued liabilities, depending on their net position, at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of the derivative financial instruments are either recognized periodically in earnings or in shareholders' equity as a component of accumulated other comprehensive income (OCI) or loss depending on whether the derivative financial instrument qualifies for hedge accounting as defined by SFAS 133. Changes in fair values of derivatives not qualifying for hedge accounting are reported in earnings as they occur.

*Foreign Exchange Exposure Management* — The Company has significant international sales and purchase transactions in foreign currencies and has a policy of hedging forecasted and actual foreign currency risk with forward foreign exchange contracts. The Company's forward foreign exchange contracts are denominated primarily in Euro and other currencies including Philippine Peso, British Pounds Sterling and Japanese Yen. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. In accordance with SFAS 133, hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly. As the terms of the contract and the underlying transaction are matched at inception, forward contract effectiveness is calculated by comparing the change in fair value of the contract to the change in the forward value of the anticipated transaction, with the effective portion of the gain or loss on the derivative instrument reported as a component of OCI in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction affects earnings. Any residual change in fair value of the instruments, or ineffectiveness, is recognized immediately in other income/expense. Ineffectiveness was immaterial in fiscal 2007, 2006 and 2005.

Additionally, the Company enters into forward foreign currency contracts that economically hedge the gains and losses generated by the remeasurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other income/expense immediately as an offset to the changes in the fair value of the asset or liability being hedged.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the consolidated financial statements. The market risk associated with these instruments resulting from currency exchange rate or interest rate movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to the Company's foreign exchange and interest rate instruments consist of a number of major international financial institutions with high credit ratings. The Company does not believe that there is significant risk of nonperformance by these counterparties because the Company continually monitors the credit ratings of such counterparties, and limits the financial exposure with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.

**Accumulated Derivative Gains or Losses**

The following table summarizes activity in accumulated other comprehensive income (loss) related to derivatives classified as cash flow hedges held by the Company during the period from October 30, 2005 through November 3, 2007:

| | 2007 | 2006 |
|---|---|---|
| Balance at beginning of year | $ 419 | $ (4,346) |
| Changes in fair value of derivatives — gain (loss) | 6,128 | 4,876 |
| Reclassifications into earnings from other comprehensive income | 772 | (111) |
| Balance at end of year | $ 7,319 | $ 419 |

All of the accumulated gain will be reclassified into earnings over the next twelve months.

### j. *Fair Values of Financial Instruments*

The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. The estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

| | November 3, 2007 | | October 28, 2006 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Assets:** | | | | |
| Cash and cash equivalents | $ 424,972 | $ 424,972 | $ 343,947 | $ 343,947 |
| Short-term investments | 656,235 | 656,235 | 1,784,387 | 1,784,387 |
| Deferred compensation investments | 36,443 | 36,443 | 31,688 | 31,688 |
| Other investments | 1,692 | 1,692 | 850 | 850 |
| **Foreign Currency Instruments & Interest Rate Agreements:** | | | | |
| Interest rate swap and cap agreements | — | — | 77 | 77 |
| Forward foreign currency exchange contracts | 6,924 | 6,924 | 272 | 272 |

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

***Cash, cash equivalents and short-term investments*** — These investments, except for those classified as held-to-maturity, which are carried at amortized cost, are adjusted to fair value based on quoted market prices or are determined using a yield curve model based on current market rates.

***Deferred compensation plan investments and other investments*** — The fair value of these investments is based on quoted market prices, with the exception of private-company equity investments that are carried at cost, adjusted for impairment charges.

***Interest rate swap and cap agreements*** — The fair value of interest rate swap and cap agreements is obtained from dealer quotes. These values represent the estimated amount the Company would receive or pay to terminate the agreements taking into consideration current interest rates.

***Forward foreign currency exchange contracts*** — The estimated fair value of forward foreign currency exchange contracts, which includes derivatives that are accounted for as cash flow hedges and those that are not designated as cash flow hedges, is based on the estimated amount at which they could be settled based on forward market exchange rates.

### k. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets and identified intangible assets, allowances for doubtful accounts and customer returns, the net realizable value of inventory, potential reserves relating to litigation matters, accrued liabilities, accrued taxes, deferred tax valuation allowances, assumptions pertaining to share-based payments and other reserves. Actual results could differ from those estimates, and such differences may be material to the financial statements.

***l. Concentrations of Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments and trade accounts receivable.

The Company maintains cash, cash equivalents and short-term investments and long-term investments with high credit quality financial institutions and monitors the amount of credit exposure to any one financial institution and issuer.

The Company sells its products to distributors and original equipment manufacturers involved in a variety of industries including industrial process automation, instrumentation, defense/aerospace, automotive, communications, computers and computer peripherals and consumer electronics. The Company has adopted credit policies and standards to accommodate growth in these markets. The Company performs continuing credit evaluations of its customers' financial condition and although the Company generally does not require collateral, letters of credit may be required from its customers in certain circumstances. Reserves are provided for estimated amounts of accounts receivable that may not be collected.

***m. Concentration of Other Risks***

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. The Company's financial results are affected by a wide variety of factors, including general economic conditions worldwide, economic conditions specific to the semiconductor industry, the timely implementation of new manufacturing technologies, the ability to safeguard patents and intellectual property in a rapidly evolving market and reliance on assembly and test subcontractors, third-party wafer fabricators and independent distributors. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. The Company is exposed to the risk of obsolescence of its inventory depending on the mix of future business. Additionally, a large portion of the Company's external wafer purchase and foundry services are from a limited number of suppliers, primarily Taiwan Semiconductor Manufacturing Company (TSMC). If TSMC or any of the Company's other key suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components, on the time schedule and of the quality that the Company requires, the Company may be forced to seek to engage additional or replacement suppliers, which could result in significant expenses and disruptions or delays in manufacturing, product development and shipment of product to the Company's customers. Although the Company has experienced shortages of components, materials and external foundry services from time to time, these items have generally been available to the Company as needed.

***n. Revenue Recognition***

Revenue and the related cost of sales on shipments to distributors are deferred until the distributors resell the products to end-users. Deferred amounts are presented net and included as "Deferred income on shipments to distributors" in the Company's consolidated balance sheets. Revenue from product sales to end-users is recognized when title passes, which for shipments to certain foreign countries is subsequent to product shipment. Title for these shipments ordinarily passes within a week of shipment. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve. During the first quarter of fiscal 2007, the Company recorded revenue of $35 million received in exchange for licensing of certain intellectual property rights to a third party.

Shipping costs are charged to cost of sales as incurred.

The Company generally offers a 12-month warranty for its products. The Company's warranty policy provides for replacement of the defective product. Specific accruals are recorded for known product warranty issues. Product warranty expenses during fiscal 2007, 2006 and 2005 were not material.

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*o. Accumulated Other Comprehensive Income (Loss)*

Other comprehensive income (loss) includes certain transactions that have generally been reported in the consolidated statement of shareholders' equity. The components of accumulated other comprehensive income (loss) at November 3, 2007 and October 28, 2006 consisted of the following:

| | 2007 | 2006 |
|---|---|---|
| Accumulated other comprehensive income — pension plans: | | |
| Prior service cost | $ (13) | $ — |
| Transition asset | 28 | — |
| Net actuarial gain | 7,172 | — |
| Minimum pension liability adjustments | — | (4,669) |
| Unrealized losses on available-for-sale securities | (462) | (5,371) |
| Foreign currency translation | 20,054 | 9,414 |
| Unrealized gains on derivative instruments | 7,319 | 419 |
| Total accumulated other comprehensive income (loss) | $ 34,098 | $ (207) |

*p. Advertising Expense*

Advertising costs are expensed as incurred. Advertising expense from continuing operations was $10.2 million in fiscal 2007, $10.9 million in fiscal 2006 and $10.5 million in fiscal 2005.

*q. Income Taxes*

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. Additionally, deferred tax assets and liabilities are separated into current and noncurrent amounts based on the classification of the related assets and liabilities for financial reporting purposes.

*r. Earnings Per Share of Common Stock*

Basic earnings per share is computed based only on the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, under SFAS 123R, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of stock options that are in-the-money. This results in the "assumed" buyback of additional shares, thereby reducing the dilutive impact of stock options. Potential shares related to certain of the Company's outstanding stock options were excluded because they were anti-dilutive. Those potential shares, determined based on the weighted average exercise prices during the respective years, related to the Company's outstanding stock options could be dilutive in the future.

The following table sets forth the computation of basic and diluted earnings per share:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Net income from continuing operations | $ 500,695 | $ 516,314 | $ 375,944 |
| Net (loss) income from discontinued operations | $ (3,788) | $ 33,168 | $ 38,843 |
| Net income | $ 496,907 | $ 549,482 | $ 414,787 |
| **Basic shares:** | | | |
| Weighted-average shares outstanding | 323,255 | 358,762 | 371,791 |
| **Earnings per share-basic:** | | | |
| Net income from continuing operations | $ 1.55 | $ 1.44 | $ 1.01 |
| Net (loss) income from discontinued operations | $ (0.01) | $ 0.09 | $ 0.10 |
| Net income(1) | $ 1.54 | $ 1.53 | $ 1.12 |
| **Diluted shares:** | | | |
| Weighted-average shares outstanding | 323,255 | 358,762 | 371,791 |
| Assumed exercise of common stock equivalents | 9,046 | 12,202 | 11,683 |
| Weighted-average common and common equivalent shares | 332,301 | 370,964 | 383,474 |
| **Earnings per share-diluted:** | | | |
| Net income from continuing operations | $ 1.51 | $ 1.39 | $ 0.98 |
| Net (loss) income from discontinued operations | $ (0.01) | $ 0.09 | $ 0.10 |
| Net income(1) | $ 1.50 | $ 1.48 | $ 1.08 |
| **Weighted-average anti-dilutive shares related to:** | | | |
| Outstanding stock options | 49,915 | 52,054 | 46,452 |

(1) The sum of the individual per share amounts may not equal due to rounding.

***s. Stock-Based Compensation***

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). SFAS 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123 *Accounting for Stock-Based Compensation*. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement over their vesting period based on their fair values at the date of grant. Pro forma disclosure is no longer an alternative.

On October 30, 2005 (the first day of its 2006 fiscal year), the Company adopted SFAS 123R using the modified prospective method as permitted under SFAS 123R. Under this transition method, compensation cost recognized in fiscal 2006 and fiscal 2007 includes: (a) compensation cost for all share-based payments granted prior to but not yet vested as of October 29, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to October 29, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective method of adoption, the Company's results of operations and financial position for prior periods have not been restated.

See Note 3 for additional information relating to stock-based compensation.

***t. New Accounting Standards***

*Accounting for Financial Assets and Financial Liabilities*

In February 2007, the Financial Accounting Standards Board (FASB), issued Statement of Financial Accounting Standard (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, which is the Company's fiscal year 2009 that begins on November 2, 2008. The Company is currently evaluating the impact, if any that SFAS 159 may have on the Company's financial condition and results of operations.

*Fair Value Measurements*

In September 2006, the FASB issued SFAS 157, *"Fair Value Measurements."* SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is the Company's fiscal year 2009 that begins on November 2, 2008. The Company is currently evaluating the impact, if any that SFAS 157 will have on the Company's financial condition and results of operations.

*Accounting for Prior Year Misstatements*

In September 2006, the United States Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects of each of the company's balance sheet and statement of operations financial statements and the related financial statement disclosures. The SAB permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The adoption of SAB 108 did not have any impact on the Company's financial conditions or results of operations.

*Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact, if any, that FIN 48 may have on the Company's financial condition or results of operations.

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***u. Discontinued Operations***

In September 2007, the Company entered into a definitive agreement to sell its Baseband Chipset Business to MediaTek Inc. The Company expects to complete the sale in the first quarter of 2008 for approximately $350 million in cash. The decision to sell the Baseband Chipset Business was due to the Company's decision to focus its resources in areas where its signal processing expertise can provide unique capabilities and earn superior returns. In accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144)*, the Company determined that the Baseband Chipset Business became a long-lived asset held for sale in the fourth quarter of 2007. SFAS 144 provides that a long-lived asset classified as held for sale should be measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of the Baseband Chipset Business at November 3, 2007 was less than the estimated fair value less cost to sell, no adjustment to the carrying value of this long-lived asset was necessary during the year ended November 3, 2007. In accordance with the provisions of SFAS 144, the Company ceased the amortization of the Baseband Chipset Business' intangible assets and the depreciation of the Baseband Chipset Business' property and equipment in the fourth quarter of fiscal 2007.

Also, in accordance with the provisions of SFAS 144, the Company determined that the Baseband Chipset Business became a discontinued operation in the fourth quarter of fiscal 2007. Accordingly, the assets and liabilities and operating results of the Baseband Chipset Business have been segregated from the consolidated balance sheets and continuing operations in the consolidated statements of income for all periods presented. Because the Baseband Chipset Business' cash flows were not material for any period presented, they have not been segregated on the consolidated statements of cash flows.

The following table summarizes the results from discontinued operations for the periods indicated:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Total Revenue | $ 193,710 | $ 230,257 | $ 254,008 |
| Cost of sales | 127,510 | 127,283 | 152,483 |
| Operating expenses: | | | |
| Research and development | 71,215 | 67,351 | 58,914 |
| Selling, marketing, general and administrative | 6,923 | 6,212 | 5,185 |
| (Loss) income before income taxes | (11,938) | 29,411 | 37,426 |
| Benefit from income taxes | (8,150) | (3,757) | (1,417) |
| Net (loss) income from discontinued operations | $ (3,788) | $ 33,168 | $ 38,843 |

| | November 3, 2007 | | October 28, 2006 | |
|---|---|---|---|---|
| Accounts receivable, net | $ | 21,971 | $ | 23,632 |
| Inventory | | 14,456 | | 15,706 |
| Property, plant and equipment, net | | 6,496 | | — |
| Intangibles, net | | 7,920 | | — |
| Total assets reclassified to current assets of discontinued operations | $ | 50,843 | $ | 39,338 |
| Property, plant and equipment, net | $ | — | $ | 7,684 |
| Intangibles, net | | — | | 11,367 |
| Total assets reclassified to non-current assets of discontinued operations | $ | — | $ | 19,051 |
| Accounts Payable | $ | 11,117 | $ | 1,640 |
| Deferred Income on shipments to distributors | | 659 | | 2,820 |
| Accrued Liabilities | | 7,993 | | 8,856 |
| Total liabilities reclassified to current liabilities of discontinued operations | $ | 19,769 | $ | 13,316 |

### 3. Stock-Based Compensation and Shareholders' Equity

*Equity Compensation Plans*

The Company grants, or has granted, stock options and other stock and stock-based awards under the following equity compensation plans:

*2006 Stock Incentive Plan (2006 Plan)* — The 2006 Plan was approved by the Company's Board of Directors on January 23, 2006 and was approved by shareholders on March 14, 2006 and subsequently amended in March 2006. The 2006 Plan provides for the grant of up to 15 million shares of the Company's common stock, plus such number of additional shares that were subject to outstanding options under the Company's 1998 Stock Option Plan and the 2001 Broad-Based Stock Option Plan as of January 23, 2006 that are not issued because the applicable option award subsequently terminates or expires without being exercised. The 2006 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, or non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. Employees, officers, directors, consultants and advisors of the Company and its subsidiaries are eligible to be granted awards under the 2006 Plan. No award may be made under the 2006 Plan after March 13, 2016, but awards previously granted may extend beyond that date. The Company will not grant further options under the 1998 Plan or the 2001 Plan.

*2001 Broad-Based Stock Option Plan (2001 Plan)* — The 2001 Plan was adopted by the Company's Board of Directors in December 2001 and subsequently amended in December 2002. The 2001 Plan provides for the issuance of options to purchase up to 50 million shares of common stock to employees, consultants or advisors of the Company and its subsidiaries, other than executive officers and directors. As a result of the approval of the 2006 Plan, no further grants were made under the 2001 Plan.

*The 1998 Stock Option Plan (1998 Plan)* — The 1998 Plan was approved by shareholders in fiscal 1998 and subsequently amended in December 2001 and December 2002. The 1998 Plan provides for the issuance of nonstatutory and incentive stock options to purchase up to 30 million shares of common stock. In March 2000, the Company's shareholders approved an amendment to the 1998 Plan to increase the shares reserved for issuance under the 1998 Plan by an additional 34 million shares. As a result of the approval of the 2006 Plan, no further grants were made under the 1998 Plan.

While the Company may grant to employees options that become exercisable at different times or within different periods, the Company has generally granted to employees options that vest over five years and become exercisable in annual installments of 33$^{1}/_{3}$% on each of the third, fourth, and fifth anniversaries of the date of grant; in annual installments of 25% on each of the second, third, fourth and fifth anniversaries of the date of grant; or 20% on each of the first, second, third, fourth and fifth anniversaries of the date of grant. The maximum contractual term of all options is ten years.

*Employee Stock Purchase Plans* — The Company also has employee stock purchase plans (ESPPs) that allow eligible employees to purchase, through payroll deductions, shares of the Company's common stock at 85% of the fair market value at specified dates. Employees may withdraw from an offering before the purchase date and obtain a refund of the amounts withheld through payroll deductions plus accrued interest. The final offering period began June 1, 2005 and ended on June 1, 2006; therefore, June 1, 2005 was considered the grant date for the purposes of recognizing the stock-based compensation expense for that offering period. During fiscal 2006, the Company's Board of Directors decided that the final offering period, which ended June 1, 2006, would be the last offering period under the ESPPs. Under APB Opinion No. 25, the Company was not required to recognize stock-based compensation expense for the cost of stock options or shares issued under the Company's ESPPs. Upon adoption of SFAS 123R, the Company began recording stock-based compensation expense related to the ESPPs.

*Grant-Date Fair Value*

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The fair values of options granted were calculated using the following estimated weighted-average assumptions:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Options granted (in thousands) | 7,691 | 8,752 | 12,904 |
| Weighted-average exercise prices stock options | $ 33.52 | $ 38.65 | $ 37.60 |
| Weighted-average grant date fair-value stock options | $ 9.50 | $ 11.60 | $ 10.85 |
| Weighted-average grant date fair-value ESPP | NA | NA | $ 9.52 |
| Assumptions: | | | |
| Weighted-average expected volatility | 30.45% | 28.7% | 27.4% |
| Weighted-average expected term (in years) | 5.1 | 5.0 | 5.0 |
| Risk-free interest rate | 4.61% | 4.4% | 3.6% |
| Expected dividend yield | 2.2% | 1.3% | 0.68% |

Expected volatility — The Company is responsible for estimating volatility and has considered a number of factors, including third-party estimates, when estimating volatility. For options granted prior to fiscal 2005, the Company used historical volatility to estimate the grant-date fair value of stock options. The Company changed its method of estimating expected volatility for all stock options granted after fiscal 2004 from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review the Company undertook, which included consultations with several third-party advisors. Historical volatility during the period commensurate with the expected term of the Company's stock options over the past several years included a period of time when the Company's stock price experienced unprecedented increases and subsequent declines. The Company believes that this past stock price volatility is unlikely to be indicative of future stock price behavior, and as such, the Company currently believes that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility the Company concluded that: (1) options in the Company's common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the maturities of the traded options used to estimate volatility are at least one year.

Expected term — The Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of a new option, and that generally its employees exhibit similar exercise behavior.

Risk-free interest rate — The yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected dividend yield — Expected dividend yield is calculated by annualizing the cash dividend declared by the Company's Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant. Until such time as the Company's Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Cash dividends are not paid on options, restricted stock or restricted stock units.

*Stock-based Compensation Expense*

The Company used the graded attribution method to recognize expense for all stock-based awards prior to the adoption of SFAS 123R. Upon adoption of SFAS 123R on October 30, 2005, the Company changed to the straight-line attribution method to recognize expense for stock-based awards granted after October 29, 2005. The change to the straight-line attribution method was made so that the expense associated with each stock-based award is recognized ratably over the vesting period. The expense associated with the unvested portion of the pre-adoption grants will continue to be expensed using the graded attribution method.

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock-based award. Based on an analysis of its historical forfeitures, the Company has applied an annual forfeiture rate of 4.3% to all unvested stock-based awards as of November 3, 2007. The rate of 4.3% represents the portion that is expected to be forfeited each year over the vesting period. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

The Company's stock option agreements historically provided for retirement-related continued vesting for a portion, or all, of certain stock options based on the optionee's age and years of service (the retirement provision) in that regardless of whether the employee continues to provide services, the optionee receives the benefit of the stock option. SFAS 123R clarifies the timing for recognizing stock-based compensation expense for awards subject to continued vesting upon meeting this retirement provision. This compensation expense must be recognized over the period from the date of grant to the date retirement eligibility is met if it is shorter than the requisite service period. Upon adoption of SFAS 123R in the first quarter of fiscal 2006, the Company changed its policy regarding the timing of option expense recognition for optionees meeting the criteria of the retirement provision to recognize compensation cost over the period through the date that the optionee is no longer required to provide service to earn the award. Prior to the adoption of SFAS 123R, the Company's policy was to recognize these compensation costs over the vesting term. Had the Company applied these non-substantive vesting provisions required by SFAS 123R to awards granted prior to the adoption of SFAS 123R, the impact on the pro forma net earnings presented below would have been immaterial. Effective during the third fiscal quarter of fiscal 2006, new grants will not include a provision that provides for retirement-related continued vesting.

The adoption of SFAS 123R had the following impact on fiscal 2007 results: operating profit from continuing operations before tax was lower by $67.0 million, net income from continuing operations was lower by

$47.3 million, cash flow from operations was lower by $40.9 million, cash flow from financing activities was higher by $40.9 million and basic and diluted EPS were lower by $0.15 and $0.14, respectively.

The adoption of SFAS 123R on October 30, 2005 had the following impact on fiscal 2006 results: operating profit from continuing operations before tax was lower by $69.8 million, net income from continuing operations was lower by $49.7 million, cash flow from operations was lower by $181.2 million, cash flow from financing activities was higher by $181.2 million and basic and diluted EPS were lower by $0.14 and $0.13, respectively.

The following table details the effect on net income and earnings per share had stock-based compensation expense been recorded for fiscal 2005 based on the fair-value method under SFAS 123:

| | 2005 |
|---|---|
| Net income, as reported | $ 414,787 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects | 3,796 |
| Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax Effects | (305,350) |
| Pro forma net income | $ 113,233 |
| Earnings per share: | |
| Basic — as reported | $ 1.12 |
| Basic — pro forma | $ 0.30 |
| Diluted — as reported | $ 1.08 |
| Diluted — pro forma | $ 0.29 |

Prior to the adoption of SFAS 123R on October 18, 2005, the Company accelerated the vesting of all unvested stock options awarded to employees after December 31, 2000 that had exercise prices of $40.00 per share or greater. The vesting of options issued to its corporate officers and directors was not accelerated. Unvested options to purchase approximately 18 million shares became exercisable as a result of the vesting acceleration. Because the exercise price of all the modified options was greater than the market price of the Company’s underlying common stock on the date of the modification, no stock-based compensation expense was recorded in the statement of income, in accordance with APB Opinion No. 25. The primary purpose for modifying the terms of these out-of-the-money stock options to accelerate their vesting was to eliminate the need to recognize the remaining unrecognized non-cash compensation expense in the statement of income associated with these options as measured under SFAS 123, because the approximately $188 million ($134 million net of tax) of future expense associated with these options would have been disproportionately high compared to the economic value of the options at the date of modification.

*Stock-Based Compensation Activity*

A summary of the activity under the Company's stock option plans as of November 3, 2007 and changes during the fiscal year then ended is presented below:

| | Options Outstanding | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| **Options outstanding at October 28, 2006** | 84,461 | $ 34.09 | | |
| Options granted | 7,691 | $ 33.52 | | |
| Options exercised | (7,252) | $ 15.06 | | |
| Options forfeited | (1,896) | $ 35.34 | | |
| Options expired | (2,846) | $ 43.80 | | |
| **Options outstanding at November 3, 2007** | 80,158 | $ 35.39 | 5.2 | $ 261,239 |
| **Options exercisable at November 3, 2007** | 56,189 | $ 34.79 | 4.0 | $ 258,717 |
| **Options vested or expected to vest at November 3, 2007(1)** | 78,649 | $ 35.36 | 5.1 | $ 261,619 |

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

The total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) during fiscal 2007 was $152.6 million and the total amount of cash received by the Company from exercise of these options was $109.1 million. The total grant-date fair value of stock options that vested during fiscal 2007 was approximately $72.8 million.

The total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) during fiscal 2006 was $113.6 million and the total amount of cash received by the Company from exercise of these options was $82.4 million. The total grant-date fair value of stock options that vested during fiscal 2006 was approximately $145.5 million.

A summary of the Company's restricted stock and restricted stock unit award activity as of November 3, 2007 and changes during the year then ended is presented below:

| | Restricted Shares or Units Outstanding | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| **Restricted shares and units outstanding at October 28, 2006** | 55 | $ 35.35 |
| Awards granted | 39 | $ 34.89 |
| Restrictions lapsed | (15) | $ 36.12 |
| Awards forfeited | — | — |
| **Restricted shares and units outstanding at November 3, 2007** | 79 | $ 34.97 |

As of November 3, 2007, there was $144.5 million of total unrecognized compensation cost related to unvested share-based awards comprised of stock options and restricted shares. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Information with respect to activity under the Company's stock option plans is set forth below:

| Stock Award Activity | Shares Available for Grant | Restricted Awards Outstanding Number | Restricted Awards Outstanding Weighted-Average Grant Date Fair-Value Per Share | Options Outstanding Number | Options Outstanding Weighted-Average Price Per Share |
|---|---|---|---|---|---|
| **Balance, October 30, 2004** | 33,849 | — | $ — | 80,276 | $ 31.00 |
| Options granted | (12,904) | — | — | 12,904 | 37.60 |
| Options exercised | — | — | — | (5,179) | 14.88 |
| Options cancelled | 2,512 | — | — | (2,512) | 38.57 |
| **Balance, October 29, 2005** | 23,457 | — | $ — | 85,489 | $ 32.75 |
| Shares authorized for 2006 Stock Incentive Plan | 15,000 | — | — | — | — |
| Shares cancelled upon termination of stock plans | (15,968) | — | — | — | — |
| Restricted awards granted(1) | (165) | 55 | 35.35 | — | — |
| Options granted | (8,752) | — | — | 8,752 | 38.65 |
| Options exercised | — | — | — | (5,382) | 15.32 |
| Options cancelled | 4,398 | — | — | (4,398) | 40.04 |
| **Balance, October 28, 2006** | 17,970 | 55 | $ 35.35 | 84,461 | $ 34.09 |
| Shares cancelled upon termination of stock plans | (5) | — | — | — | — |
| Restricted awards granted(1) | (118) | 39 | 34.89 | — | — |
| Restrictions lapsed | — | (15) | 36.12 | — | — |
| Options granted | (7,691) | — | — | 7,691 | 33.52 |
| Options exercised | — | — | — | (7,252) | 15.06 |
| Options cancelled | 4,742 | — | — | (4,742) | 40.42 |
| **Balance, November 3, 2007** | 14,898 | 79 | $ 34.97 | 80,158 | $ 35.39 |

(1) The 2006 Plan provides that for purposes of determining the number of shares available for issuance under the 2006 Plan, any restricted stock award, restricted stock unit or other stock-based award with a per share or per unit price lower than the fair market value of our common stock on the date of grant (a "Full-Value Award") will be counted as three shares for each share subject to the Full-Value Award.

As of November 3, 2007, a total of 95,135,367 common shares were reserved for issuance under the Company's stock option plans.

*Common Stock Repurchase Program*

In August 2004, the Company's Board of Directors approved the repurchase of up to $500 million of the Company's common stock. On May 11, 2005, the Company's Board of Directors amended the stock repurchase program by increasing the total amount of the Company's common stock the Company is authorized to repurchase from $500 million to $1 billion of common stock. On March 14, 2006, the Board of Directors authorized the repurchase by the Company of an additional $1 billion of the Company's common stock, increasing the total amount of the Company's common stock the Company can repurchase from $1 billion to $2 billion of the Company's common stock. On December 6, 2006, the Board of Directors authorized the repurchase by the Company of an additional $1 billion of common stock, increasing the total amount of common stock the Company is authorized to repurchase from $2 billion to $3 billion. On June 6, 2007, the Board of Directors authorized the repurchase of an additional $1 billion of common stock, increasing the total amount of common stock the Company is authorized to repurchase from $3 billion to $4 billion. Under the repurchase program, the Company may repurchase outstanding shares of its common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of the Company's Board of Directors, the repurchase program will expire when the Company has repurchased all shares authorized under the program. The Company repurchased a total of 45.9 million shares for approximately $1,647.2 million during fiscal 2007. As of November 3, 2007, the Company had repurchased approximately 95.1 million shares of its common stock for approximately $3,334.8 million under this program and an additional $665.2 million remains under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. The Company plans to continue to repurchase shares during fiscal 2008. The timing and number of shares repurchased can not be reasonably estimated at this time; however, from the end of fiscal year 2007 through November 26, 2007, the Company repurchased approximately 4.6 million shares for approximately $151 million.

*Preferred Stock*

The Company has 471,934 authorized shares of $1.00 par value preferred stock, none of which is issued or outstanding. The Board of Directors is authorized to fix designations, relative rights, preferences and limitations on the preferred stock at the time of issuance.

*Common Stock Purchase Rights*

In March 1998, the Board of Directors adopted a Stockholder Rights Plan (the Stockholder Rights Plan) that replaced a plan adopted by the Board in 1988. Pursuant to the Stockholder Rights Plan, after giving effect to the Company's two-for-one stock split effected on March 15, 2000, each share of the Company's common stock had an associated one-half of a right. Under certain circumstances, each whole right would have entitled the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock at a purchase price of $180 in cash, subject to adjustment.

On January 23, 2006, the Company, by vote of its Board of Directors, terminated its Stockholder Rights Plan. All rights outstanding under the Stockholder Rights Plan were redeemed at a redemption price of $0.0005 per right (as adjusted to reflect the two-for-one split of the Company's common stock on March 15, 2000) (as adjusted, the "Redemption Price") and paid on March 15, 2006 to the holders of record of the Company's common stock on February 24, 2006. All rights to exercise rights issued under the Stockholder Rights Plan terminated on January 23, 2006 and the only right thereafter of the holders of rights issued under the Stockholder Rights Plan was to receive the Redemption Price.

**4. Industry and Geographic Segment Information**

The Company operates and tracks its results in one reportable segment. The Company designs, develops, manufactures and markets a broad range of integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by SFAS 131, *Disclosures about Segments of an Enterprise and Related Information.*

*Revenue Trends by End Market*

The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the "sold to" customer information, the "ship to" customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs, the Company reclassifies revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

| | 2007 | | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Product Revenue | Y/Y% | Revenue | % of Total Product Revenue | Revenue | % of Total Product Revenue |
| Industrial | $ 1,184,891 | 47% | 7% | $ 1,105,261 | 47% | $ 952,662 | 45% |
| Communications | 545,792 | 22% | 7% | 510,137 | 22% | 475,284 | 22% |
| Consumer | 544,415 | 22% | 23% | 441,871 | 19% | 380,160 | 18% |
| Computer | 236,019 | 9% | (17)% | 285,650 | 12% | 326,694 | 15% |
| **Total Product Revenue** | **$ 2,511,117** | **100%** | **7%** | **$ 2,342,919** | **100%** | **$ 2,134,800** | **100%** |
| Revenue from one-time IP license | 35,000 | | | — | | — | |
| **Total Revenue** | **$ 2,546,117** | | | **$ 2,342,919** | | **$ 2,134,800** | |

*Revenue Trends by Product*

The following table summarizes revenue by product categories. The categorization of the Company's products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories the Company reclassifies the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

| | 2007 | | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Product Revenue | Y/Y% | Revenue | % of Total Product Revenue | Revenue | % of Total Product Revenue |
| Converters | $ 1,106,615 | 44% | 8% | $ 1,023,499 | 44% | $ 927,711 | 43% |
| Amplifiers | 557,515 | 22% | 5% | 532,046 | 23% | 445,732 | 21% |
| Power management & reference | 205,497 | 8% | (6)% | 219,651 | 9% | 214,169 | 10% |
| Other analog | 393,724 | 16% | 27% | 310,075 | 13% | 255,385 | 12% |
| **Total analog products** | **$ 2,263,351** | **90%** | **9%** | **$ 2,085,271** | **89%** | **$ 1,842,997** | **86%** |
| General purpose DSP | 214,000 | 9% | 4% | 205,483 | 9% | 186,660 | 9% |
| Other DSP | 33,766 | 1% | (35)% | 52,165 | 2% | 105,143 | 5% |
| **Total DSP products** | **$ 247,766** | **10%** | **(4)%** | **$ 257,648** | **11%** | **$ 291,803** | **14%** |
| **Total Product Revenue** | **$ 2,511,117** | **100%** | **7%** | **$ 2,342,919** | **100%** | **$ 2,134,800** | **100%** |
| Revenue from one-time IP license | 35,000 | | | — | | — | |
| **Total Revenue** | **$ 2,546,117** | | | **$ 2,342,919** | | **$ 2,134,800** | |

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*Geographic Information*

The Company operates in the following major geographic areas. Product revenue data is based upon customer location and property, plant and equipment data is based upon physical location. The predominant countries comprising European operations are Ireland, United Kingdom, France and Germany. The predominant countries comprising Rest of Asia are Taiwan and Korea.

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Product Revenue from continuing operations** | | | |
| United States | $ 643,087 | $ 643,066 | $ 579,071 |
| Europe | 599,288 | 554,046 | 532,456 |
| Japan | 511,488 | 468,967 | 423,220 |
| China | 328,073 | 266,425 | 199,796 |
| Rest of Asia | 429,181 | 410,415 | 400,257 |
| Subtotal all foreign countries | 1,868,030 | 1,699,853 | 1,555,729 |
| Total product revenue | $ 2,511,117 | $ 2,342,919 | $ 2,134,800 |
| **Property, plant and equipment** | | | |
| United States | $ 226,270 | $ 231,519 | $ 265,243 |
| Ireland | 183,075 | 190,050 | 209,205 |
| Philippines | 133,388 | 123,786 | 112,245 |
| All other countries | 14,206 | 9,586 | 6,532 |
| Subtotal all foreign countries | 330,669 | 323,422 | 327,982 |
| Total property, plant and equipment | $ 556,939 | $ 554,941 | $ 593,225 |

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## 5. Special Charges

A summary of the Company's special charges is as follows:

| Income Statement | Closure of Wafer Fabrication Facility in Sunnyvale | Reorganization of Product Development and Support Programs | Consolidation of a Wafer Fabrication Facility in Limerick(1) | Reduction of Overhead Infrastructure Costs | Total Special Charges |
|---|---|---|---|---|---|
| **Fiscal 2005 Charges:** | | | | | |
| Workforce reductions | $ 20,315 | $ 11,165 | $ — | $ — | $ 31,480 |
| **Total Fiscal 2005 Charges** | $ 20,315 | $ 11,165 | $ — | $ — | $ 31,480 |
| **Fiscal 2006 Charges:** | | | | | |
| Facility closure costs | — | 554 | — | — | 554 |
| Abandonment of equipment | — | 459 | — | — | 459 |
| Other items | — | 462 | — | — | 462 |
| Change in estimate | (2,029) | — | — | — | (2,029) |
| Workforce reductions | — | 2,344 | — | — | 2,344 |
| **Total Fiscal 2006 Charges** | $ (2,029) | $ 3,819 | $ — | $ — | $ 1,790 |
| **Fiscal 2007 Charges:** | | | | | |
| Facility closure costs | 10,288 | — | — | — | 10,288 |
| Workforce reductions | — | 4,165 | 13,748 | 10,711 | 28,624 |
| Other items | — | 859 | — | 1,637 | 2,496 |
| Change in estimate | — | (913) | — | — | (913) |
| **Total Fiscal 2007 Charges** | $ 10,288 | $ 4,111 | $ 13,748 | $ 12,348 | $ 40,495 |

| Accrued Restructuring | Closure of Wafer Fabrication Facility in Sunnyvale | Reorganization of Product Development and Support Programs | Consolidation of a Wafer Fabrication Facility in Limerick (1) | Reduction of Overhead Infrastructure Costs | Total Special Charges |
|---|---|---|---|---|---|
| **Balance at October 29, 2005** | $ 20,315 | $ 10,708 | $ — | $ — | $ 31,023 |
| Fiscal 2006 special charges | (2,029) | 3,819 | — | — | 1,790 |
| Severance payments | (12,383) | (8,175) | — | — | (20,558) |
| Non-cash impairment charge | — | (459) | — | — | (459) |
| Facility closure costs | — | (455) | — | — | (455) |
| Other items | — | (462) | — | — | (462) |
| **Balance at October 28, 2006** | $ 5,903 | $ 4,976 | $ — | $ — | $ 10,879 |
| Fiscal 2007 special charges | 10,288 | 4,111 | 13,748 | 12,348 | 40,495 |
| Severance payments | (5,573) | (4,717) | — | (767) | (11,057) |
| Facility closure costs | (6,616) | (23) | — | — | (6,639) |
| Non-cash impairment charge | — | — | — | (438) | (438) |
| Other items | — | (596) | — | — | (596) |
| Effect of foreign currency translation on accrual | — | 18 | — | 3 | 21 |
| **Balance at November 3, 2007** | $ 4,002 | $ 3,769 | $ 13,748 | $ 11,146 | $ 32,665 |

(1) Production is expected to cease in the six-inch wafer fabrication facility during the first half of fiscal year 2009. Therefore, the severance benefits for this action are recorded as other non-current liabilities in the consolidated balance sheet.

*Closure of Wafer Fabrication Facility in Sunnyvale*

During the fourth quarter of fiscal 2005, the Company recorded a special charge of $20.3 million as a result of a decision to close its California wafer fabrication operations and transfer virtually all of the production of products manufactured there to the Company's facility in Wilmington, Massachusetts. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under the Company's ongoing benefit plan for 339 manufacturing employees and 28 general and administrative employees. The severance benefit was calculated based on length of past service, and employees had to continue to be employed until they were involuntarily terminated in order to receive the severance benefit. The Company completed the final cleanup and closure activities associated with this action during the second quarter of fiscal 2007.

In addition to the charge recorded in the fourth quarter of fiscal 2005, the Company recorded additional expense during fiscal 2006, which consisted of $18.3 million of non-cash cost of sales expenses for additional depreciation due to shortened useful lives of certain manufacturing equipment and $2.0 million for stay-on bonuses. The Company reversed approximately $2.0 million of its severance accrual during fiscal 2006 because some employees voluntarily left the Company, other employees found alternative employment within the Company, and there was an over accrual related to fringe benefits because severance payments, normally paid as income continuance, were paid in lump sum payments, which reduced the benefit costs associated with these payments. The employment of all of the remaining employees included in this action has been terminated by the Company.

The Company ceased production at the wafer fabrication facility on November 9, 2006. During the first quarter of fiscal 2007, the Company recorded additional expense, in accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which consisted of $3.2 million for clean-up and closure costs that were charged to expense as incurred and $0.4 million for lease obligation costs for a warehouse facility the Company ceased using during the first quarter of fiscal 2007. During the second quarter of fiscal 2007, the Company recorded a special charge, in accordance with SFAS 146, which included $5.0 million of expense for future lease obligation costs for the wafer fabrication facility that the Company ceased using during the second quarter of fiscal 2007. Also included in the special charge was $1.7 million for clean-up and closure costs that were charged to expense as incurred. The clean-up activity was completed during the second quarter of fiscal 2007, and the Company does not expect to incur any additional charges related to this action.

*Reorganization of Product Development and Support Programs*

During the fourth quarter of fiscal 2005, the Company recorded a special charge of $11.2 million as a result of its decision to reorganize its product development and support programs with the goal of providing greater focus on its analog and digital signal processing product programs. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 60 manufacturing employees and 154 engineering and selling, marketing, general and administrative employees.

During fiscal 2006, the Company recorded an additional special charge of $3.8 million related to this reorganization action. Approximately $1.5 million of this charge was for lease obligation costs for a facility the Company ceased using during the first quarter of fiscal 2006 and the write-off of property, plant and equipment and other items at this facility. The remaining $2.3 million related to severance and fringe benefit costs that were recorded in the fourth quarter of fiscal 2006 pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 46 engineering and selling, marketing, general and administrative employees.

During the first quarter of fiscal 2007, the Company recorded an additional special charge of $1.6 million related to this reorganization action. Approximately $0.6 million of this charge was for contract termination costs.

The remaining $1.0 million relates to severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan for six engineering employees.

During the second quarter of fiscal 2007, the Company recorded an additional special charge of $3.4 million related to this reorganization action. Approximately $3.2 million relates to the severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or minimum statutory requirements at foreign locations for 20 engineering and selling, marketing, general and administrative employees. The remaining $0.2 million of this charge was for lease obligation costs for a facility the Company ceased using during the second quarter of fiscal 2007.

During the fourth quarter of fiscal 2007, the Company reversed approximately $0.9 million of the Company's severance accrual because some employees voluntarily left the Company and other employees found alternative employment within the Company, and were therefore no longer entitled to severance payments.

The employment of all employees included in this action has been terminated. The Company does not expect to incur any further charges related to this reorganization action.

*Fourth Quarter of Fiscal 2007 Special Charges*

*Consolidation of a Wafer Fabrication Facility in Limerick*

During the fourth quarter of fiscal 2007, the Company recorded a special charge of $13.7 million as a result of the Company's decision to focus the wafer fabrication capacity at its Limerick facility on eight-inch technology. Certain manufacturing processes and products produced on the six-inch production line will transition to the existing eight-inch production line in Limerick while others will transition to external foundries. The charge was for severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan for 150 manufacturing employees. Production is expected to cease in the six-inch wafer fabrication facility during the first half of fiscal year 2009, and the affected employees will be terminated. These employees must continue to be employed until their employment is involuntarily terminated in order to receive the severance benefit. The Company expects to incur additional expenses related to this action during fiscal year 2009 of approximately $6 million related to clean-up and closure costs. In accordance with SFAS 146, these costs will be expensed as incurred.

*Reduction of Overhead Infrastructure Costs*

During the fourth quarter of fiscal 2007, the Company decided to either deemphasize or exit certain businesses or products and focus investments in products and end markets where the Company has better opportunities for profitable growth. In September 2007, the Company entered into a definitive agreement to sell its Baseband Chipset Business. As a result of these decisions the Company decided to reduce the support infrastructure in manufacturing, engineering and SMG&A to more appropriately reflect the required overhead structure of the Company. Consequently, the Company recorded a special charge of $12.3 million, of which $10.7 million is for severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 25 manufacturing employees and 127 engineering and selling, marketing, general and administrative employees. The remaining $1.6 million is for contract termination costs related to a license agreement associated with products the Company will no longer develop and for which there is no future alternative use. These actions are expected be substantially completed in the second quarter of fiscal 2008.

As of November 3, 2007, 77 of the 152 employees included in this reorganization action were still employed by the Company. These employees must continue to be employed until their employment is involuntarily terminated in order to receive the severance benefit.

**6. Acquisitions**

In the third quarter of fiscal 2006, the Company completed a transaction with TTPCom Limited (TTPCom), whereby TTPCom transferred to the Company intellectual property, engineering resources, and related assets associated with the support and customization of TTPCom's GSM/GPRS/EDGE modem software for use on the Company's existing and future generations of SoftFone® baseband processors. The Company also acquired development rights for AJAR, TTPCom's advanced applications platform. As a result of this transaction, the Company became the single point of contact for both hardware and software support for its new and existing wireless handset customers, thus improving the Company's abilities to service the needs of individual customers. The Company paid TTPCom $11.9 million in initial cash payments. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The estimated fair values of the assets exceeded the initial payments by $7.8 million, resulting in negative goodwill. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, the Company recorded a liability for the contingent consideration that will be accounted for as additional purchase price, up to the amount of the negative goodwill. As contingent payments became due, the payments were applied against the contingent liability. As of October 28, 2006, the Company had paid $6 million of contingent payments and the remaining contingent liability was $1.8 million. The purchase price included $5.5 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the third quarter of fiscal 2006. The in-process technology related to software code developed for use in the Company's semiconductor chipsets manufactured for devices that use both the 2G and 2.5G cellular wireless technology standards. The fair value of the in-process technology was determined with the assistance of a third party using the income approach. At the time of the acquisition, the in-process technology was approximately 56% complete. As of November 3, 2007, the in-process research and development projects were complete. During fiscal 2007, we paid an additional $6.1 million of contingent consideration, which resulted in reducing the $1.8 million liability and recording additional goodwill of $4.3 million. As of November 3, 2007, all technological milestones have been met and no additional payments will be made. The acquisition also included $13.2 million of intangible assets (see Note 2f.) that were being amortized over their estimated useful lives of five years using an accelerated amortization method that reflects the estimated pattern of economic use. As a result of the Company's definitive agreement to sell its Baseband Chipset Business to MediaTek Inc., $7.9 million and $11.4 million of net intangible assets were reclassified to assets of discontinued operations at November 3, 2007 and October 28, 2006, respectively, as the TTPCom assets will be transferred to MediaTek Inc. as part of the transaction. See Note 2u. for additional information on assets of discontinued operations.

In the fourth quarter of fiscal 2006, the Company acquired substantially all the outstanding stock of privately-held Integrant Technologies, Inc. (Integrant) of Seoul, Korea. The acquisition enabled the Company to enter the mobile TV market and strengthened its presence in the Asian region. The Company paid $127.2 million in initial cash payments at closing and may be obligated to make additional cash payments of up to an aggregate of $33 million upon the satisfaction of certain conditions. The initial cash payments included $4.2 million held in escrow for the purchase of the remaining non-founder outstanding shares. These shares were purchased during fiscal 2007 and were recorded as additional goodwill. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The Company completed the final purchase accounting for this transaction during the first quarter of fiscal 2007, which resulted in an additional $5.6 million of goodwill. The $33 million of potential cash payments is comprised of $25 million for the achievement of revenue-based milestones that may be payable during the period from July 2006 through December 2007 and $8 million related to the purchase of shares from the founder of Integrant during the period from July 2007 through July 2009. The additional cash payments will be recorded as additional purchase price. During fiscal 2007, the Company paid $3.5 million to repurchase founder shares. No revenue-based milestones have been met as of November 3, 2007. The purchase price included $11.1 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the fourth quarter of fiscal 2006. The in-process technology related to technologies currently in development for Dual DAB, T-DMB, DVB-H, RFID and WiBro applications. The fair value of the in-process technology was determined with the assistance of a third party using the income forecast approach. At the time of the acquisition, the in-process technology was approximately 74% complete. As of November 3, 2007, the in-process research and development projects were complete. The acquisition also included $21.6 million of intangible assets (see Note 2f.) that are being amortized over their estimated useful lives of two to five years using an accelerated amortization method that reflects the estimated pattern of economic use.

In the fourth quarter of fiscal 2006, the Company acquired all the outstanding stock of privately-held AudioAsics A/S (AudioAsics) of Roskilde, Denmark. The acquisition of AudioAsics allows the Company to continue developing low-power audio solutions, while expanding its presence in the Nordic and Eastern European regions. The Company paid $19.3 million in initial cash payments at closing and may be obligated to make additional cash payments of up to an aggregate of $8 million upon the satisfaction of certain conditions. The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The $8 million of potential cash payments is comprised of $4.8 million for the achievement of revenue-based milestones that may be payable during the period from October 2006 through January 2009 and $3.2 million based on the achievement of technological milestones during the period from October 2006 through January 2009. In order to be entitled to receive $2.4 million of the revenue-based contingent consideration, certain key employees must continue to be employed by the Company. As such, that portion of the revenue-based contingent consideration will be recorded as compensation expense when, and if, it is earned. The technological milestones require post-acquisition services to be rendered in order to be achieved and, as such, will be recorded as compensation expense when earned. The purchase price included $5.1 million of in-process technology that had not yet reached technological feasibility, had no alternative future use and was charged to operations during the fourth quarter of fiscal 2006. The in-process technology related to technologies currently in development for analog and digital microphone pre-amplifiers. The fair value of the in-process technology was determined with the assistance of a third party using the income approach. At the time of the acquisition, the in-process technology was approximately 69% complete. As of November 3, 2007, the in-process research and development projects were complete. The acquisition also included $8.3 million of intangible assets (see Note 2f.) that are being amortized over their estimated useful lives of five years using an accelerated amortization method that reflects the estimated pattern of economic use. As of November 3, 2007, no contingent consideration has been paid.

Pro forma results of operations for TTPCom, Integrant and AudioAsics have not been provided herein as they were not material to the Company on either an individual or an aggregate basis. The results of operations of each acquisition are included in the Company's consolidated statement of income from the date of such acquisition.

## 7. Deferred Compensation Plan Investments

Deferred compensation plan investments are classified as trading and the components of the investments as of November 3, 2007 and October 28, 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|
| Corporate obligations | $ 21,670 | $ 18,883 |
| Money market funds | 3,858 | 3,039 |
| Mutual funds | 10,915 | 9,766 |
| Total deferred compensation plan investments — short and long term | $ 36,443 | $ 31,688 |

The fair values of these investments are based on published market quotes on November 3, 2007 and October 28, 2006, respectively. Adjustments to fair value of, and income pertaining to, deferred compensation plan investments are recorded in operating expenses. Gross realized and unrealized gains and losses from trading securities were not material in fiscal 2007, 2006 or 2005.

Investments are offset by a corresponding liability to the plan participants (see Note 10). These investments are specifically designated as available to the Company solely for the purpose of paying benefits under the Company's deferred compensation plan. However, in the event the Company became insolvent, the investments would be available to all unsecured general creditors.

During fiscal 2006, the Company distributed $254.1 million from its amended and restated deferred compensation plan, or the Deferred Compensation Plan, as a result of participant terminations or at the direction of the participants. This amount represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of the Deferred Compensation Plan and earnings on those deferred amounts. As a result of certain provisions of the American Jobs Creation Act, participants had the opportunity until December 31, 2005 to elect to withdraw amounts previously deferred.

## 8. Other Investments

Other investments consist of equity securities and other long-term investments. Investments are stated at fair value, which is based on market quotes, or on a cost-basis, dependent on the nature of the investment, as appropriate. Adjustments to the fair value of investments classified as available-for-sale are recorded as an increase or decrease in accumulated other comprehensive income (loss), unless the adjustment is considered an other-than-temporary impairment, in which case the adjustment is recorded as a charge in the statement of income.

Realized gains of $7.9 million were recorded in fiscal 2007 related to the sale of a cost-basis investment. There were no realized gains or losses recorded in fiscal 2006 or 2005.

Long-term marketable investments are classified as available-for-sale. Unrealized losses of $0.3 million ($0.2 million net of tax) were recorded in fiscal 2007, unrealized losses of $0.7 million ($0.4 million net of tax) were recorded in fiscal 2006 and unrealized losses of $1.4 million ($0.9 million net of tax) were recorded in fiscal 2005.

## 9. Accrued Liabilities

Accrued liabilities at November 3, 2007 and October 28, 2006 consisted of the following:

| | 2007 | 2006 |
|---|---|---|
| Accrued compensation and benefits | $ 77,019 | $ 80,160 |
| Special charges | 18,917 | 10,879 |
| Other | 54,607 | 54,874 |
| Total accrued liabilities | $ 150,543 | $ 145,913 |

## 10. Deferred Compensation Plan Liability and Other Noncurrent Liabilities

The deferred compensation plan liability relates to obligations due under the Analog Devices, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan allows certain members of management and other highly-compensated employees and non-employee directors to defer receipt of all or any portion of their compensation. Prior to January 1, 2005, participants could also defer gains on stock options and restricted stock granted before July 23, 1997. The balance represents Deferred Compensation Plan participant accumulated deferrals, and earnings thereon, since the inception of the Deferred Compensation Plan, net of withdrawals. The total expense to the Company of the Deferred Compensation Plan was $0.3 million in fiscal 2007, $1.0 million in fiscal 2006 and $9.9 million in fiscal 2005. The Company's liability under the Deferred Compensation Plan is an unsecured general obligation of the Company. Other noncurrent liabilities primarily relate to pension liabilities.

During fiscal 2006, the Company distributed $254.1 million from the Deferred Compensation Plan as a result of participant terminations or at the direction of the participants. This amount represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of the Deferred Compensation Plan and earnings on those deferred amounts. As a result of certain provisions of the American Jobs Creation Act, participants had the opportunity until December 31, 2005 to elect to withdraw amounts previously deferred.

**11. Lease Commitments**

The Company leases certain of its facilities, equipment and software under various operating leases that expire at various dates through 2022. The lease agreements frequently include renewal and escalation clauses and require the Company to pay taxes, insurance and maintenance costs. Total rental expense under operating leases was approximately $43 million in fiscal 2007, $45 million in fiscal 2006 and $44 million in fiscal 2005.

The following is a schedule of future minimum rental payments required under long-term operating leases at November 3, 2007:

| Fiscal Years | Operating Leases |
|---|---|
| 2008 | $ 30,774 |
| 2009 | $ 25,906 |
| 2010 | $ 13,267 |
| 2011 | $ 5,430 |
| 2012 | $ 3,842 |
| Later Years | $ 12,259 |
| Total | $ 91,478 |

**12. Commitments and Contingencies**

*Tentative Settlement of the SEC's Previously Announced Stock Option Investigation*

In the Company's 2004 Form 10-K filing, the Company disclosed that the Securities and Exchange Commission (SEC) had initiated an inquiry into its stock option granting practices, focusing on options that were granted shortly before the issuance of favorable financial results. On November 15, 2005, the Company announced that it had reached a tentative settlement with the SEC.

At all times since receiving notice of this inquiry, the Company has cooperated with the SEC. In November 2005, the Company and its President and CEO, Mr. Jerald G. Fishman, made an offer of settlement to the Staff of the SEC. The settlement has been submitted to the Commission for approval. There can be no assurance a final settlement will be so approved.

The SEC's inquiry focused on two separate issues. The first issue concerned the Company's disclosure regarding grants of options to employees and directors prior to the release of favorable financial results. Specifically, the issue related to options granted to employees (including officers) of the Company on November 30, 1999 and to employees (including officers) and directors of the Company on November 10, 2000.

The second issue concerned the grant dates for options granted to employees (including officers) in 1998 and 1999, and the grant date for options granted to employees (including officers) and directors in 2001. Specifically, the settlement would conclude that the appropriate grant date for the September 4, 1998 options should have been September 8th (which is one trading day later than the date that was used to price the options); the appropriate grant date for the November 30, 1999 options should have been November 29th (which is one trading day earlier than the date that was used); and the appropriate grant date for the July 18, 2001 options should have been July 26th (which is five trading days after the original date).

In connection with the proposed settlement, the Company would consent to a cease-and-desist order under Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, would pay a civil money penalty of $3 million, and would reprice options granted to Mr. Fishman in certain years. Options granted to all others would be excluded from the repricing. Mr. Fishman would consent to a cease-and-desist order under Sections 17(a)(2) and (3) of the Securities Act, would pay a civil money penalty of $1 million, and would make a disgorgement payment with respect to options granted in certain years. With the exception of options granted in 1998, Mr. Fishman has not exercised or sold any of the options identified in this matter. The Company and Mr. Fishman would settle this matter without admitting or denying the Commission's findings.

The Company has determined that no restatement of its historical financial results would be necessary due to the proposed settlement.

*Other Legal Proceedings*

In May 2006, the Company received a document subpoena from the U.S. Attorney for the Southern District of New York requesting records from 2000 to the present relating to the Company's granting of stock options. The Company believes that the options at issue in this matter are the same option grants which have been the subject of investigation by the SEC. The Company has cooperated with the office of the U.S. Attorney in connection with this subpoena. The Company cannot predict the outcome of this matter, but believes the disposition of the matter will not have a material adverse effect on the Company or its financial position.

On May 25, 2006, the Company filed a lawsuit in United States District Court for the District of Delaware against Linear Technology Corp., or LTC, alleging infringement of three Company patents by LTC's making, selling and using various products. In the Company's complaint, it is seeking damages in an unspecified amount and injunctive relief. In addition, the Company also sought a declaratory judgment that its products do not infringe eight patents allegedly owned by LTC (the "LTC patents") and that the LTC patents are invalid. On July 28, 2006, LTC filed an answer and counterclaims, denying that its products infringe the asserted Company patents and asking the court to declare such patents invalid. LTC also claimed that the Company, by making, selling and using various power management products, is infringing seven of the eight LTC patents. LTC seeks damages in an unspecified amount and injunctive relief. On August 21, 2006, the Company filed its answer to LTC's counterclaims, denying all liability to LTC. The case is currently in the discovery phase and trial is scheduled to begin in October 2008. The Company intends to vigorously pursue its claims against LTC, and to vigorously defend against LTC's counterclaims. The Company is unable at this time to predict the outcome of this litigation; however, the Company believes that the final disposition of this matter will not have a material adverse effect on the Company or its financial position.

On October 13, 2006, a purported class action complaint was filed in the United States District Court for the District of Massachusetts on behalf of participants in the Company's Investment Partnership Plan from October 5, 2000 to the present. The complaint named as defendants the Company, certain officers and directors, and the Company's Investment Partnership Plan Administration Committee. The complaint alleges purported violations of federal law in connection with the Company's option granting practices during the years 1998, 1999, 2000, and 2001, including breaches of fiduciary duties owed to participants and beneficiaries of the Company's Investment Partnership Plan under the Employee Retirement Income Security Act. The complaint seeks unspecified monetary damages, as well as equitable and injunctive relief. The Company intends to vigorously defend against these allegations. On November 22, 2006, the Company and the individual defendants filed motions to dismiss the complaint. On January 8, 2007, the Plaintiff filed memoranda in opposition. On January 22, 2007, the Company and the individual defendants filed further memoranda in support of the motions to dismiss. Although the Company believes it has meritorious defenses to the asserted claims, it is unable at this time to predict the outcome of this proceeding. The court has scheduled a hearing on the Company's motion to dismiss on January 30, 2008.

From time to time in the ordinary course of the Company's business, various claims, charges and litigation are asserted or commenced against the Company arising from, or related to, contractual matters, patents, trademarks, personal injury, environmental matters, product liability, insurance coverage and personnel and employment disputes. As to such claims and litigation the Company can give no assurance that it will prevail.

While the Company does not believe that any of the matters described above will have a material adverse effect on the Company's financial position, an adverse outcome of any of these matters is possible and could have a material adverse effect on the Company's consolidated results of operations or cash flows in the quarter or annual period in which one or more of these matters are resolved.

## 13. Maxim Litigation Settlement

The Company executed a legal settlement with Maxim Integrated Products, Inc. (Maxim) during the second quarter of fiscal 2007, which resulted in the Company receiving $19 million. The Company recorded $8.5 million as a credit to legal expense in selling, marketing, general and administrative expense because this amount represents the fair value of external legal costs incurred by the Company in this matter. The remaining $10.5 million has been recorded in other income because the amount was not related to the reimbursement of external legal costs and management deems it to be an isolated event. This amount is earned in full because the Company has no future obligation to Maxim with respect to this payment.

## 14. Retirement Plans

The Company and its subsidiaries have various savings and retirement plans covering substantially all employees. The Company maintains a defined contribution plan for the benefit of its eligible United States employees. This plan provides for Company contributions of up to 5% of each participant's total eligible compensation. In addition, the Company contributes an amount equal to each participant's pre-tax contribution, if any, up to a maximum of 3% of each participant's total eligible compensation. The total expense related to the defined contribution plan for U.S. employees was $21.0 million in fiscal 2007, $22.1 million in fiscal 2006 and $21.6 million in fiscal 2005. The Company also has various defined benefit pension and other retirement plans for certain non-U.S. employees that are consistent with local statutory requirements and practices. The total expense related to the various defined benefit pension and other retirement plans for certain non-U.S. employees was $17.3 million in fiscal 2007, $15.7 million in fiscal 2006 and $12.1 million in fiscal 2005.

Effective for fiscal year 2007, the Company adopted the provisions of SFAS 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans — an amendment of FASB Statement No. 87, 88, 106 and 132(R)* (SFAS 158) in the fourth quarter of fiscal 2007. SFAS 158 requires that the funded status of defined-benefit post retirement plans be recognized on the company's consolidated balance sheets, and changes in the funded status be reflected in comprehensive income. SFAS 158 also requires the measurement date of the plan's funded status to be the same as the company's fiscal year end, which will be effective for the Company in fiscal 2009.

*Non-U.S. Plan Disclosures*

The Company's funding policy for its foreign defined benefit pension plans is consistent with the local requirements of each country. The plans' assets consist primarily of U.S. and non-U.S. equity securities, bonds, property and cash. The benefit obligations and related assets under these plans have been measured at September 30, 2007 and September 30, 2006.

Net annual periodic pension cost of non-U.S. plans is presented in the following table:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Service cost | $ 10,890 | $ 10,572 | $ 8,231 |
| Interest cost | 8,862 | 7,214 | 6,521 |
| Expected return on plan assets | (9,584) | (7,097) | (7,307) |
| Amortization of prior service cost | 8 | 116 | 185 |
| Amortization of transitional asset | (39) | (27) | 69 |
| Recognized actuarial loss | 804 | 1,548 | 648 |
| Net periodic pension cost | $ 10,941 | $ 12,326 | $ 8,347 |
| Curtailment impact | $ — | $ 81 | $ — |
| Settlement impact | $ 85 | $ — | $ — |
| Special termination benefits | $ 207 | $ 1,394 | $ — |

The special termination presented relate to certain early retirement benefits provided in certain jurisdictions.

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Obligation and asset data of the Company's non-U.S. plans at each fiscal year end is presented in the following table:

| | 2007 | 2006 |
|---|---|---|
| **Change in Benefit Obligation** | | |
| Benefit obligation at beginning of year | $ 177,975 | $ 163,230 |
| Service cost | 10,890 | 10,572 |
| Interest cost | 8,862 | 7,214 |
| Curtailment | (1,297) | — |
| Settlement | (6,894) | — |
| Special termination benefits | 207 | 1,394 |
| Participant contributions | 2,811 | 2,310 |
| Premiums Paid | (201) | (188) |
| Actuarial loss | (28,348) | (10,807) |
| Benefits paid | (4,037) | (3,370) |
| Exchange rate adjustment | 20,803 | 7,620 |
| Benefit obligation at end of year | $ 180,771 | $ 177,975 |
| **Change in Plan Assets** | | |
| Fair value of plan assets at beginning of year | $ 135,944 | $ 108,091 |
| Actual return on plan assets | 11,326 | 12,100 |
| Employer contributions | 10,793 | 11,228 |
| Participant contributions | 2,811 | 2,310 |
| Settlements | (6,894) | — |
| Premiums Paid | (201) | (188) |
| Benefits paid | (4,037) | (3,370) |
| Exchange rate adjustment | 18,063 | 5,773 |
| Fair value of plan assets at end of year | $ 167,805 | $ 135,944 |
| **Reconciliation of Funded Status** | | |
| Unfunded status | $ (12,966) | $ (42,031) |
| Contribution between September 30 and fiscal year end | 581 | 2,404 |
| Unrecognized transition obligation | N/A | (19) |
| Unrecognized actuarial loss | N/A | 25,131 |
| Unrecognized prior service cost | N/A | 25 |
| Net amount recognized | $ (12,385) | $ (14,490) |
| **Amounts Recognized in the Balance Sheet** | | |
| ***For years prior to adoption of the funded status provisions of SFAS 158*** | | |
| Prepaid benefit cost | N/A | $ — |
| Accrued benefit liability | N/A | (21,698) |
| Intangible asset | N/A | 25 |
| Accumulated other comprehensive income | N/A | 7,183 |
| Net amount recognized | N/A | $ (14,490) |
| ***For years after the adoption of the funded status provisions of SFAS 158*** | | |
| Noncurrent assets | $ 10,114 | N/A |
| Current liabilities | (757) | N/A |
| Noncurrent liabilities | (21,742) | N/A |
| Net amount recognized | $ (12,385) | N/A |

| | 2007 | 2006 |
|---|---|---|
| **Reconciliation of Amounts Recognized in the Statement of Financial Position** | | |
| Initial net obligation | $ (19) | N/A |
| Prior service cost | (19) | N/A |
| Net gain | 6,824 | N/A |
| Accumulated other comprehensive income | 6,786 | N/A |
| Accumulated contributions in excess of net periodic benefit cost | (19,171) | N/A |
| Net amount recognized | $ (12,385) | N/A |
| **Estimated amounts that will be amortized from accumulated other comprehensive income over the next fiscal year** | | |
| Initial net asset | $ 42 | |
| Prior service cost | (8) | |
| Net loss | (220) | |
| Total | $ (186) | |
| Other comprehensive income attributable to change in additional minimum liability recognition prior to adoption of SFAS 158 | $ (2,135) | $ (2,151) |
| Increase in accumulated other comprehensive income (before tax) to reflect the adoption of SFAS 158 | $ (11,834) | |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for non-U.S. pension plans with accumulated benefit obligation in excess of plan assets were $46.4 million, $40.1 million, and $24.3 million respectively, at September 30, 2007 and $49.6 million, $41.9 million, and $24.2 million respectively, at September 30, 2006.

The range of assumptions used for the non-U.S. defined benefit plans reflects the different economic environments within the various countries. The projected benefit obligation was determined using the following weighted average assumptions:

| | 2007 | 2006 |
|---|---|---|
| Discount rate | 5.64% | 4.79% |
| Rate of increase in compensation levels | 3.83% | 3.70% |
| Expected long-term return on plan assets | 7.14% | 6.71% |

The expected long-term rate of return on assets is a weighted average of the long-term rates of return selected for the various countries where the Company has funded pension plans. The expected long-term rate of return on assets assumption is selected based on the facts and circumstances that exist as of the measurement date, and the specific portfolio mix of plan assets. Management, in conjunction with its actuaries, reviewed anticipated future long-term performance of individual asset categories and considered the asset allocation strategy adopted by the Company and or the trustees of the plans. While the review considered recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

Expected fiscal 2008 Company contributions and estimated future benefit payments are as follows:

| | |
|---|---|
| **Expected Company Contributions** | |
| 2008 | $ 7,993 |
| **Expected Benefit Payments** | |
| 2008 | $ 3,209 |
| 2009 | $ 3,224 |
| 2010 | $ 2,421 |
| 2011 | $ 4,750 |
| 2012 | $ 4,671 |
| 2013-2017 | $ 31,004 |

The Company's year-end pension plan weighted average asset allocations by category were:

| | 2007 | Strategic Target |
|---|---|---|
| Equities | 68.69% | 69.00% |
| Bonds | 26.46% | 27.00% |
| Cash | 0.62% | 0.00% |
| Property | 4.23% | 4.00% |
| Total | 100.00% | 100.00% |

The fundamental goal underlying the pension plans' investment policy is to achieve a total rate of return that exceeds inflation over the long-term by using a certain mix of assets depending on the profile of the specific plan. Investment practices must comply with applicable laws and regulations.

The Company's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, in order to maximize the return on assets, a majority of assets are invested in equities. Investments within each asset class are diversified to reduce the impact of losses in single investments. The use of derivative instruments is permitted where appropriate and necessary to achieve overall investment policy objectives and asset class targets.

The Company establishes strategic asset allocation percentage targets and appropriate benchmarks for each significant asset class to obtain a prudent balance between return and risk. The interaction between plan assets and benefit obligations is periodically studied by the Company and its actuaries to assist in the establishment of strategic asset allocation targets.

## 15. Income Taxes

The reconciliation of income tax computed at the U.S. federal statutory rates to income tax expense is as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| U.S. federal statutory tax rate | 35.0% | 35.0% | 35.0% |
| **Income tax provision reconciliation:** | | | |
| Tax at statutory rate: | $ 230,622 | $ 221,544 | $ 192,592 |
| Irish income subject to lower tax rate | (65,715) | (70,515) | (65,157) |
| Repatriation of foreign earnings | — | — | 48,688 |
| Domestic and international tax examination charges (benefits) including penalties | 4,363 | (35,158) | — |
| Deferred compensation plan | — | — | 7,150 |
| State income taxes, net of federal benefit | 1,744 | 937 | 437 |
| Research and development tax credits | (14,846) | (934) | (10,439) |
| Amortization of goodwill/intangibles | 261 | 207 | 988 |
| Net foreign tax in excess of U.S. federal statutory tax rate | 1,729 | (45) | — |
| Other, net | 286 | 1,382 | 61 |
| Total income tax provision | $ 158,444 | $ 117,418 | $ 174,320 |

For financial reporting purposes, income before income taxes includes the following components:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Pretax income:** | | | |
| Domestic | $ 288,110 | $ 229,026 | $ 116,840 |
| Foreign | 370,810 | 403,958 | 433,424 |
| Total income before income taxes and discontinued operations | $ 658,920 | $ 632,984 | $ 550,264 |

The components of the provision for income taxes are as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Current:** | | | |
| Federal | $ 98,826 | $ 108,115 | $ 93,336 |
| Foreign | 60,033 | 36,462 | 63,753 |
| State | 2,435 | 1,295 | 2,627 |
| Total current | $ 161,294 | $ 145,872 | $ 159,716 |
| **Deferred (prepaid):** | | | |
| Federal | $ (2,336) | $ (22,619) | $ 14,480 |
| Foreign | (514) | (5,835) | 124 |
| Total deferred | $ (2,850) | $ (28,454) | $ 14,604 |

On October 22, 2004, the U.S. enacted the American Jobs Creation Act of 2004 ("AJCA"). The AJCA created a temporary incentive for U.S. multinational corporations to repatriate accumulated foreign income by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. The Company decided to repatriate $1,055 million in extraordinary dividends, as defined by the AJCA, during the fourth quarter of fiscal 2005 and accordingly recorded a tax liability of $48.7 million at October 29, 2005.

The Company continues to intend to reinvest certain of its foreign earnings indefinitely. Accordingly, no US income taxes have been provided for approximately $1,193 million of unremitted earnings of international subsidiaries. As of November 3, 2007, the amount of unrecognized deferred tax liability on these earnings was $323 million.

The significant components of the Company's deferred tax assets and liabilities for the fiscal years ended November 3, 2007 and October 28, 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| **Deferred tax assets:** | | |
| Inventory reserves | $ 31,227 | $ 30,302 |
| Deferred income on shipments to distributors | 22,247 | 20,696 |
| Reserves for compensation and benefits | 26,434 | 23,833 |
| Tax credit carryovers | 46,775 | 42,583 |
| SFAS 115 mark-to-market adjustment | 368 | 4,164 |
| Stock-based compensation | 78,203 | 40,704 |
| Depreciation | — | 14,322 |
| Undistributed earnings of foreign subsidiaries | — | 6,896 |
| Other | 5,694 | 4,862 |
| Total gross deferred tax assets | 210,948 | 188,362 |
| Valuation allowance | (46,775) | (42,583) |
| Total deferred tax assets | 164,173 | 145,779 |
| **Deferred tax liabilities:** | | |
| Depreciation | 2,377 | — |
| Acquisition Accounting | (7,010) | (2,331) |
| Undistributed earnings of foreign subsidiaries | (4,999) | — |
| Other | (514) | (1,083) |
| Total gross deferred tax liabilities | (10,146) | (3,414) |
| Net deferred tax assets | $ 154,027 | $ 142,365 |

The valuation allowances of $46.8 million and $42.6 million at November 3, 2007 and October 28, 2006, respectively, are a full valuation allowance for the Company's state credit carryovers that will begin to expire in 2008.

The Company has provided for potential liabilities due in various jurisdictions. Judgment is required in determining the worldwide income tax expense provision. In the ordinary course of global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of cost reimbursement arrangements among related entities. Although the Company believes its estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in the historical income tax provisions and accruals. Such differences could have a material impact on the Company's income tax provision and operating results in the period in which such determination is made.

During fiscal year 2006, the United States Internal Revenue Service (the IRS) completed its examination of fiscal years 2001, 2002 and 2003 and issued their report. The Company agreed to accept this report and filed its 2005 and 2006 tax return and an amended return for 2004 conforming to the methodologies agreed to during the 2001-2003 examination. The completion of this examination, including the reversal of accruals for taxes and penalties and the filing of refund claims in other jurisdictions associated with the completion of the IRS examination, resulted in an income tax benefit of $35.2 million in fiscal year 2006.

During the fourth quarter of fiscal year 2007, the IRS completed its field examination of fiscal years 2004 and 2005. Although the IRS has not issued its final report for fiscal 2004 and 2005, they have issued proposed adjustments related to these two fiscal years. The Company has provided $4.4 million for taxes and penalties related to certain of these proposed adjustments. There are four items, with a potential total tax liability of $46 million, that the Company concluded, based on discussions with its tax advisors, are not likely to result in additional tax liability. Therefore, the Company has not recorded any tax liability for these items and plans to appeal these proposed adjustments through the normal processes for the resolution of differences between the IRS and taxpayers. Two of the unresolved matters are one-time issues and pertain to Section 965 of the Internal Revenue Code related to the beneficial tax treatment of dividends from foreign owned companies under The American Jobs Creation Act. The other matters pertain to the computation of research and development tax credits and the profits earned from manufacturing activities carried on outside the United States. As well as impacting taxes payable for fiscal 2004 and 2005, these latter two matters could impact taxes payable in subsequent years.

During fiscal year 2006, the IRS invited the Company to participate in the Compliance Assurance Process (CAP), which is a voluntary pilot program the IRS is conducting for a limited number of large business taxpayers. The objective of CAP is to reduce taxpayer burden associated with IRS audits while assuring the IRS of the accuracy of tax returns prior to filing. The Company has agreed to participate in CAP. Under the program, the IRS is expected to contemporaneously work with the Company to achieve federal tax compliance and resolve issues prior to the filing of a tax return. CAP is designed to eliminate or substantially reduce the need for post-filing examinations of future tax returns. For fiscal 2006, the IRS has completed the CAP. The IRS and the Company have agreed on the treatment of a number of issues that have been included in an Issue Resolutions Agreement related to the 2006 tax return. However, no agreement was reached on the tax treatment of a number of issues, including the same R&D credit and foreign manufacturing issues mentioned above related to fiscal 2004 and 2005. The IRS has also indicated they plan to audit the pricing of inter company sales (transfer pricing), which is just beginning. The Company has not provided for any additional taxes in respect to the examination of the fiscal 2006 return. The CAP is still underway for fiscal 2007. The Company has not prepared its tax return for fiscal 2007, and the IRS has not issued a report for fiscal 2007.

Although the Company believes its estimates of tax payable are reasonable, no assurance can be given that the Company will prevail in the matters raised related to the fiscal years 2004, 2005, and 2006 and that the outcome of one or all of these matters will not be different than that which is reflected in the historical income tax provisions and accruals. The Company believes such differences would not have a material impact on the Company's financial condition but could have a material impact on the Company's income tax provision, operating results and operating cash flows in the period in which such matters are resolved.

### 16. Related Party Transactions

One of the Company's directors, who has served on the Company's Board of Directors since 1988, became a director of Taiwan Semiconductor Manufacturing Company, or TSMC, in fiscal 2002 and continues to serve as a director of TSMC. Management believes the terms and prices for the purchases of products from TSMC are not affected by the presence of one of the Company's directors on the Board of Directors of TSMC. The Company purchased approximately $302 million, $281 million and $224 million of product from TSMC in fiscal years 2007, 2006 and 2005, respectively, and approximately $47 million and $17 million was payable to TSMC as of

November 3, 2007 and October 28, 2006, respectively. Management anticipates that it will make significant purchases from TSMC in fiscal 2008.

## 17. Gain on Sale of Product Line

During fiscal 2006, the Company completed the sale to Ikanos Communications, Inc. of its DSP-based digital subscriber line (DSL) application-specific integrated circuit (ASIC) and network processor product line. The Company received approximately $23.1 million in cash for the product line and after providing for the write-off of inventory, fixed assets and other costs incurred to complete the transaction, recorded a net gain of $13.0 million in nonoperating income during fiscal 2006.

## 18. Subsequent Events

On November 8, 2007, the Company entered into a purchase and sale agreement with certain subsidiaries of ON Semiconductor Corporation to sell the Company's CPU voltage regulation and PC thermal monitoring business for total consideration of approximately $185 million. The business to be sold consists of core voltage regulator products for the central processing unit in computing and gaming applications and temperature sensors and fan-speed controllers for managing the temperature of the central processing unit. The parties will also enter into a one-year manufacturing supply arrangement. The Company expects to close this transaction in the first quarter of fiscal 2008. This business met the assets held for sale criteria on November 8, 2007, and will therefore be reclassified to discontinued operations during the first quarter of fiscal 2008.

The following table presents the items that will be reclassified into assets and liabilities of discontinued operations during the first quarter of fiscal 2008:

| | November 3, 2007 | October 28, 2006 |
|---|---|---|
| Accounts receivable, net | $ 12,604 | $ 10,718 |
| Inventory | 23,146 | 24,811 |
| Property, plant and equipment, net | 864 | — |
| Total assets reclassified to current assets of discontinued operations | $ 36,614 | $ 35,529 |
| Property, plant and equipment, net | $ — | $ 257 |
| Total assets reclassified to non-current assets of discontinued operations | — | 257 |
| Accounts Payable | $ 2,894 | $ 1,857 |
| Deferred Income on shipments to distributors | 307 | 763 |
| Accrued Liabilities | 1,183 | 937 |
| Total liabilities reclassified to current liabilities of discontinued operations | $ 4,384 | $ 3,557 |

On November 26, 2007, the Board of Directors of the Company declared a cash dividend of $0.18 per outstanding share of common stock. The dividend will be paid on December 26, 2007 to all shareholders of record at the close of business on December 7, 2007.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Analog Devices, Inc.

We have audited the accompanying consolidated balance sheets of Analog Devices, Inc. as of November 3, 2007 and October 28, 2006, and the related consolidated statements of income, shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended November 3, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(c). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Analog Devices, Inc. at November 3, 2007 and October 28, 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 3, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 14 to the financial statements, effective November 3, 2007, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R).* Additionally, as discussed in Note 2s to the financial statements, effective October 30, 2005, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Analog Devices, Inc.'s internal control over financial reporting as of November 3, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 26, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Boston, Massachusetts
November 26, 2007

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**ANALOG DEVICES, INC.**

**SUPPLEMENTARY FINANCIAL INFORMATION**
**(Unaudited)**

Quarterly financial information for fiscal 2007 and fiscal 2006 (thousands, except per share amounts and as noted) includes adjustments to reflect the classification of our Baseband Chipset Business as discontinued operations:

| | 4Q07 | 3Q07 | 2Q07 | 1Q07 | 4Q06 | 3Q06 | 2Q06 | 1Q06 |
|---|---|---|---|---|---|---|---|---|
| Product Revenue | 648,478 | 637,011 | 614,701 | 610,927 | 609,724 | 598,915 | 577,654 | 556,626 |
| Revenue from the one-time IP license | — | — | — | 35,000 | — | — | — | — |
| Total Revenue | 648,478 | 637,011 | 614,701 | 645,927 | 609,724 | 598,915 | 577,654 | 556,626 |
| Cost of sales | 269,610 | 261,689 | 251,899 | 243,702 | 249,427 | 236,163 | 226,834 | 227,329 |
| Gross margin | 378,868 | 375,322 | 362,802 | 402,225 | 360,297 | 362,752 | 350,820 | 329,297 |
| % of Total Revenue | 58.4% | 58.9% | 59.0% | 62.3% | 59.1% | 60.6% | 60.7% | 59.2% |
| Research and development | 134,124 | 130,340 | 128,950 | 125,901 | 121,001 | 118,169 | 115,320 | 114,906 |
| Selling, marketing, general and administrative | 98,186 | 100,810 | 91,258 | 102,967 | 99,111 | 98,044 | 95,881 | 94,838 |
| Purchased in-process research and development | — | — | — | — | 16,211 | 5,500 | — | — |
| Special charges | 25,183 | — | 10,116 | 5,196 | 777 | — | — | 1,013 |
| Total operating expenses | 257,493 | 231,150 | 230,324 | 234,064 | 237,100 | 221,713 | 211,201 | 210,757 |
| Operating income from continuing operations | 121,375 | 144,172 | 132,478 | 168,161 | 123,197 | 141,039 | 139,619 | 118,540 |
| % of Total Revenue | 19% | 23% | 22% | 26% | 20% | 24% | 24% | 21% |
| Nonoperating (income) expenses: | | | | | | | | |
| Interest expense | — | — | — | — | 17 | 4 | 21 | 10 |
| Interest income | (13,578) | (17,721) | (20,871) | (24,837) | (24,301) | (26,716) | (25,895) | (23,257) |
| Other, net | 687 | 1,272 | (10,221) | (7,465) | (211) | 435 | (13,352) | 2,656 |
| Total nonoperating (income) expense | (12,891) | (16,449) | (31,092) | (32,302) | (24,495) | (26,277) | (39,226) | (20,591) |
| Income from continuing operations before income taxes and minority interest | 134,266 | 160,621 | 163,570 | 200,463 | 147,692 | 167,316 | 178,845 | 139,131 |
| % of Total Revenue | 21% | 25% | 27% | 31% | 24% | 28% | 31% | 25% |
| Provision for income taxes | 37,862 | 36,202 | 39,265 | 45,115 | 8,423 | 31,549 | 45,128 | 32,318 |
| Minority Interest | — | — | — | (219) | 748 | — | — | — |
| Net Income from continuing operations | 96,404 | 124,419 | 124,305 | 155,567 | 140,017 | 135,767 | 133,717 | 106,813 |
| Net income (loss) from discontinued operations, | 1,485 | (3,984) | 1,051 | (2,340) | (1,598) | 8,918 | 12,104 | 13,744 |
| Net Income | 97,889 | 120,435 | 125,356 | 153,227 | 138,419 | 144,685 | 145,821 | 120,557 |
| % of Total Revenue | 15% | 19% | 20% | 24% | 23% | 24% | 25% | 22% |
| Earnings Per share — basic | | | | | | | | |
| Income from continuing operations | 0.32 | 0.39 | 0.38 | 0.46 | 0.40 | 0.38 | 0.37 | 0.29 |
| Net income | 0.32 | 0.38 | 0.38 | 0.45 | 0.40 | 0.40 | 0.40 | 0.33 |
| Earnings Per share — diluted | | | | | | | | |
| Income from continuing operations | 0.31 | 0.38 | 0.37 | 0.45 | 0.39 | 0.37 | 0.35 | 0.28 |
| Net income | 0.31 | 0.37 | 0.37 | 0.44 | 0.39 | 0.39 | 0.39 | 0.32 |
| Shares used to compute earnings per share (in thousands): | | | | | | | | |
| Basic | 305,867 | 318,465 | 329,988 | 338,698 | 346,803 | 357,887 | 364,225 | 366,135 |
| Diluted | 313,825 | 327,331 | 338,840 | 349,208 | 357,164 | 369,542 | 376,811 | 380,337 |
| Dividends declared per share | 0.18 | 0.18 | 0.18 | 0.16 | 0.16 | 0.16 | 0.12 | 0.12 |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Analog's disclosure controls and procedures as of November 3, 2007. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of November 3, 2007 our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) *Management's Report on Internal Control Over Financial Reporting.*

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting as of November 3, 2007. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on this assessment, our management concluded that, as of November 3, 2007, our internal control over financial reporting is effective based on those criteria.

Our independent auditors have issued an audit report on our assessment of our internal control over financial reporting. This report appears below.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Analog Devices, Inc.

We have audited Analog Devices, Inc.'s internal control over financial reporting as of November 3, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Analog Devices, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Analog Devices, Inc. maintained, in all material respects, effective internal control over financial reporting as of November 3, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Analog Devices, Inc. as of November 3, 2007 and October 28, 2006, and the related consolidated statements of income, shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended November 3, 2007 of Analog Devices, Inc. and our report dated November 26, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Boston, Massachusetts
November 26, 2007

(c) *Changes in Internal Controls.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the fiscal quarter ended November 3, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item relating to our directors and nominees is contained in our 2008 proxy statement under the caption "Proposal 1 — Election of Directors" and is incorporated herein by reference. Information required by this item relating to our executive officers is contained under the caption "EXECUTIVE OFFICERS OF THE COMPANY" in Part I of this Annual Report on Form 10-K and is incorporated herein by reference. Information required by this item relating to compliance with Section 16(a) of the Securities Exchange Act of 1934 is contained in our 2008 proxy statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

We have adopted a written code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and have posted it in the Corporate Governance section of our website which is located at www.analog.com. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding any amendments to, or waivers from, our code of business conduct and ethics by posting such information on our website which is located at www.analog.com.

During the fourth quarter of fiscal 2007, we made no material change to the procedures by which shareholders may recommend nominees to our Board of Directors, as described in our 2007 proxy statement.

Information required by this item relating to the audit committee of our Board of Directors is contained in our 2008 proxy statement under the caption "Corporate Governance — Board of Directors Meetings and Committees — Audit Committee" and is incorporated herein by reference.

## ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is contained in our 2008 proxy statement under the captions "Corporate Governance — Directors' Compensation" and "Information About Executive Compensation" and is incorporated herein by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item relating to security ownership of certain beneficial owners and management is contained in our 2008 proxy statement under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference. Information required by this item relating to securities authorized for issuance under equity compensation plans is contained in our 2008 proxy statement under the caption "Information About Executive Compensation — Securities Authorized for Issuance Under Equity Compensation Plans" and is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item relating to transactions with related persons is contained in our 2008 proxy statement under the caption "Corporate Governance — Certain Relationships and Related Transactions" and is incorporated herein by reference. Information required by this item relating to director independence is contained in our 2008 proxy statement under the caption "Corporate Governance — Determination of Independence" and is incorporated herein by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is contained in our 2008 proxy statement under the caption "Corporate Governance — Independent Registered Public Accounting Firm Fees and Other Matters" and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

**1. Financial Statements**

The following consolidated financial statements are included in Item 8 of this Annual Report on Form 10-K:

— Consolidated Statements of Income for the years ended November 3, 2007, October 28, 2006 and October 29, 2005

— Consolidated Balance Sheets as of November 3, 2007 and October 28, 2006

— Consolidated Statements of Shareholders’ Equity for the years ended November 3, 2007, October 28, 2006 and October 29, 2005

— Consolidated Statements of Comprehensive Income for the years ended November 3, 2007, October 28, 2006 and October 29, 2005

— Consolidated Statements of Cash Flows for the years ended November 3, 2007, October 28, 2006 and October 29, 2005

**(b) Exhibits**

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed with or incorporated by reference in this Annual Report on Form 10-K.

**(c) Financial Statement Schedules**

The following consolidated financial statement schedule is included in Item 15(c) of this Annual Report on Form 10-K:

Schedule II — Valuation and Qualifying Accounts

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the Notes thereto.

**ANALOG DEVICES, INC.**
**ANNUAL REPORT ON FORM 10-K**
**YEAR ENDED NOVEMBER 3, 2007**
**ITEM 15(c)**
**FINANCIAL STATEMENT SCHEDULE**

**ANALOG DEVICES, INC.**

**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**

**Years ended November 3, 2007, October 28, 2006 and October 29, 2005**
***(Thousands)***

| Description | Balance at Beginning of Period | Additions Charged to Income Statement | Deductions | Balance at End of Period |
|---|---|---|---|---|
| **Accounts Receivable Reserves and Allowances:** | | | | |
| Year ended October 29, 2005 | $ 4,645 | $ 2,216 | $ 3,979 | $ 2,882 |
| Year ended October 28, 2006 | $ 2,882 | $ 3,087 | $ 3,436 | $ 2,533 |
| Year ended November 3, 2007 | $ 2,533 | $ 4,753 | $ 3,675 | $ 3,611 |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ANALOG DEVICES, INC.

By: /s/ JERALD G. FISHMAN
Jerald G. Fishman
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 30, 2007

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name | Title | Date |
| --- | --- | --- |
| /s/ RAY STATA<br>Ray Stata | Chairman of the Board | November 30, 2007 |
| /s/ JERALD G. FISHMAN<br>Jerald G. Fishman | President,<br>Chief Executive Officer<br>and Director (Principal Executive Officer) | November 30, 2007 |
| /s/ JOSEPH E. MCDONOUGH<br>Joseph E. Mcdonough | Vice President-Finance<br>and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | November 30, 2007 |
| /s/ JAMES A. CHAMPY<br>James A. Champy | Director | November 30, 2007 |
| /s/ JOHN L. DOYLE<br>John L. Doyle | Director | November 30, 2007 |
| /s/ JOHN C. HODGSON<br>John C. Hodgson | Director | November 30, 2007 |
| /s/ CHRISTINE KING<br>Christine King | Director | November 30, 2007 |
| /s/ F. GRANT SAVIERS<br>F. Grant Saviers | Director | November 30, 2007 |
| /s/ PAUL J. SEVERINO<br>Paul J. Severino | Director | November 30, 2007 |
| /s/ KENTON J. SICCHITANO<br>Kenton J. Sicchitano | Director | November 30, 2007 |
| /s/ LESTER C. THUROW<br>Lester C. Thurow | Director | November 30, 2007 |

## Exhibit Index

| Exhibit No. | Description |
|---|---|
| †2.1 | Purchase and Sale Agreement, dated as of September 9, 2007, among Analog Devices, Inc., various subsidiaries, and MediaTek Inc. |
| †2.2 | Form of License Agreement to be entered into among Analog Devices, Inc., Analog Devices B.V. and MediaTek Inc. |
| 3.1 | Restated Articles of Organization of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-7819) for the quarterly period ended May 1, 2004 as filed with the Commission on May 18, 2004 and incorporated herein by reference. |
| 3.2 | Amended and Restated By-Laws of Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819), as filed with the Commission on December 13, 2004 and incorporated herein by reference. |
| *10.1 | Analog Devices, Inc. Amended and Restated Deferred Compensation Plan, filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-7819) for the quarterly period ended January 28, 2006 as filed with the Commission on February 15, 2006 and incorporated herein by reference. |
| *†10.2 | Amendment No. 1 to Analog Devices, Inc. Amended and Restated Deferred Compensation Plan. |
| *10.3 | Trust Agreement for Deferred Compensation Plan dated as of October 1, 2003 between Analog Devices, Inc. and Fidelity Management Trust Company filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2003 (File No. 1-7819) as filed with the Commission on December 23, 2003 and incorporated herein by reference. |
| *10.4 | First Amendment to Trust Agreement for Deferred Compensation Plan between Analog Devices, Inc. and Fidelity Management Trust Company dated as of January 1, 2005, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| *10.5 | Restated 1988 Stock Option Plan of Analog Devices, Inc., filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 1997 (File No. 1-7819) as filed with the Commission on June 17, 1997 and incorporated herein by reference. |
| *10.6 | 1994 Director Option Plan of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference. |
| *10.7 | 1998 Stock Option Plan of Analog Devices Inc., as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference. |
| 10.8 | Analog Devices, Inc. 2001 Broad-Based Stock Option Plan, as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference. |
| *10.9 | 2006 Stock Incentive Plan of Analog Devices, Inc., filed as Appendix A of the Company's Definitive Proxy Statement on Schedule 14A filed with the Commission on February 8, 2006 (File No. 1-7819) and incorporated herein by reference. |
| *10.10 | Amendment No. 1 to 2006 Stock Incentive Plan of Analog Devices, Inc., filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| *10.11 | Form of Confirming Memorandum for Grants of Non-Qualified Stock Options to Employees for usage under the Registrant's 2006 Stock Incentive Plan, filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819), as filed with the Commission on December 22, 2006 and incorporated herein by reference. |
| *10.12 | Form of Confirming Memorandum for Grants of Non-Qualified Stock Options to Directors for usage under the Registrant's 2006 Stock Incentive Plan, filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 4, 2007 (File No. 1-7819) as filed with the Commission on August 21, 2007 and incorporated herein by reference. |
| *10.13 | Form of Restricted Stock Agreement for usage under the Registrant's 2006 Stock Incentive Plan, filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819), as filed with the Commission on September 25, 2006 and incorporated herein by reference. |

| Exhibit No. | Description |
|---|---|
| *10.14 | Form of Restricted Stock Unit Confirming Memorandum for usage under the Registrant's 2006 Stock Incentive Plan, filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819), as filed with the Commission on September 25, 2006 and incorporated herein by reference. |
| *10.15 | Analog Devices BV (Ireland) Employee Stock Option Program, as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference. |
| 10.16 | BCO Technologies plc Unapproved Share Option Scheme, filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-50092) as filed with the Commission on November 16, 2000 and incorporated herein by reference. |
| 10.17 | BCO Technologies plc Approved Share Option Scheme, filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-50092) as filed with the Commission on November 16, 2000 and incorporated herein by reference. |
| 10.18 | ChipLogic, Inc. Amended and Restated 1998 Stock Plan, filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-53314) as filed with the Commission on January 5, 2001 and incorporated herein by reference. |
| 10.19 | Staccato Systems, Inc. 1998 Stock Plan, filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-53828) as filed with the Commission on January 17, 2001 and incorporated herein by reference. |
| 10.20 | Various individual stock restriction and similar agreements between the registrant and employees thereof relating to ChipLogic, Inc., filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-57444) as filed with the Commission on March 22, 2001, as amended by Amendment No. 1 filed as an exhibit to the Company's Post-Effective Amendment to Registration Statement on Form S-8 (File No. 333-57444) as filed with the Commission on March 23, 2001 and incorporated herein by reference. |
| *10.21 | Employment Agreement dated November 14, 2005 between Jerald G. Fishman and Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on November 15, 2005 and incorporated herein by reference. |
| *10.22 | Amendment dated as of October 22, 2007 to the Employment Agreement dated as of November 14, 2005 between Jerald G. Fishman and Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on October 26, 2007 and incorporated herein by reference. |
| *10.23 | Executive Retention Agreement dated October 22, 2007 between Jerald G. Fishman and Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on October 26, 2007 and incorporated herein by reference. |
| *10.24 | Letter Agreement between Analog Devices Inc. and Jerald G. Fishman dated June 21, 2000 relating to acceleration of stock options upon the occurrence of certain events, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2000 (File No. 1-7819) as filed with the Commission on January 26, 2001 and incorporated herein by reference. |
| *10.25 | Description of Executive Performance Bonus Plan for fiscal year 2007, incorporated herein by reference to Item 5.02(e) in the Company's Current Report on Form 8-K (File No. 1-7819) filed December 22, 2006. |
| *10.26 | Form of Employee Retention Agreement, as amended, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 (File No. 1-7819) as filed with the Commission on January 28, 1998 and incorporated herein by reference. |
| *10.27 | Amendment dated as of October 22, 2007 to the Employee Retention Agreement dated as of January 16, 1989 between Jerald G. Fishman and Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on October 26, 2007 and incorporated herein by reference. |
| *10.28 | Employee Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference. |
| *10.29 | Senior Management Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference. |

| Exhibit No. | Description |
|---|---|
| 10.30 | Amended and Restated Lease Agreement dated May 1, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 (File No. 1-7819) as filed with the Commission on January 28, 1998 and incorporated herein by reference. |
| 10.31 | Guaranty dated as of May 1, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference. |
| 10.32 | Letter Agreement dated as of May 18, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference. |
| 10.33 | Reimbursement Agreement dated May 18, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 (File No. 1-7819) as filed with the Commission on January 28, 1998 and incorporated herein by reference. |
| 10.34 | Lease Agreement dated February 8, 1996 between Analog Devices, Inc. and Massachusetts Institute of Technology, relating to premises located at 21 Osborn Street, Cambridge, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 3, 2001 (File No. 1-7819) as filed with the Commission on January 28, 2002 and incorporated herein by reference. |
| 10.35 | First Amendment dated December 13, 1996 to Lease Agreement dated February 8, 1996 between Analog Devices, Inc. and Massachusetts Institute of Technology, relating to premises located at 21 Osborn Street, Cambridge, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| 10.36 | Second Amendment dated December 20, 1996 to Lease Agreement dated February 8, 1996 between Analog Devices, Inc. and Massachusetts Institute of Technology, relating to premises located at 21 Osborn Street, Cambridge, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| 10.37 | Third Amendment dated May 27, 1997 to Lease Agreement dated February 8, 1996 between Analog Devices, Inc. and Massachusetts Institute of Technology, relating to premises located at 21 Osborn Street, Cambridge, Massachusetts, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| 10.38 | Lease Agreement dated November 14, 1997, as amended, between Analog Devices, Inc. and Liberty Property Limited Partnership, relating to premises located at 7736 McCloud Road, Greensboro, North Carolina, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference. |
| †10.39 | Fifth Amendment dated September 14, 2007 to Lease Agreement dated November 14, 1997, as amended, between Analog Devices, Inc. and Crown-Greensboro I, LLC (as successor to Liberty Property Limited Partnership), relating to premises located at 7736 McCloud Road, Greensboro, North Carolina. |
| 14 | Analog Devices, Inc. Code of Business Conduct and Ethics, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 1, 2003 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference. |

| Exhibit No. | Description |
|---|---|
| †21 | Subsidiaries of the Company. |
| †23 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. |
| †31.1 | Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer). |
| †31.2 | Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer). |
| †32.1 | Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer) |
| †32.2 | Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer) |

† Filed herewith.

* Management contracts and compensatory plan or arrangements required to be filed as an Exhibit pursuant to Item 15(b) of Form 10-K.

Exhibit 2.1

PURCHASE AND SALE AGREEMENT

AMONG

ANALOG DEVICES, INC.

(THE “PARENT”)

AND

ANALOG DEVICES, B.V.,

ANALOG DEVICES APS,

ANALOG DEVICES LIMITED,

ANALOG DEVICES INDIA PRIVATE LIMITED,

ANALOG DEVICES HONG KONG, LTD.,

ANALOG DEVICES KOREA, LTD.,

ANALOG DEVICES (SHANGHAI) CO., LTD.,

ANALOG DEVICES (CHINA) CO., LTD.

AND

ANALOG DEVICES TAIWAN, LTD.

(TOGETHER WITH THE PARENT, THE “SELLERS”)

AND

MEDIATEK INC.

(THE “BUYER”)

DATED AS OF

SEPTEMBER 9, 2007

TABLE OF CONTENTS

## PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "Agreement") is entered into as of September 9, 2007 among ANALOG DEVICES, INC., a Massachusetts corporation (the "Parent"), ANALOG DEVICES, B.V., a limited liability company formed under the laws of the Netherlands ("Analog BV"), ANALOG DEVICES APS, a company organized under the laws of Denmark ("Analog ApS"), ANALOG DEVICES LIMITED, a company organized under the laws of England ("Analog Limited"), ANALOG DEVICES INDIA PRIVATE LIMITED, a company organized under the laws of India ("Analog India"), ANALOG DEVICES HONG KONG, LTD., a company organized under the laws of Hong Kong ("Analog Hong Kong"), ANALOG DEVICES KOREA, LTD., a company organized under the laws of Korea ("Analog Korea"), ANALOG DEVICES (SHANGHAI) CO., LTD., a company organized under the laws of the People's Republic of China ("Analog Shanghai"), ANALOG DEVICES (CHINA) CO., LTD., a company organized under the laws of the People's Republic of China ("Analog China"), and ANALOG DEVICES TAIWAN, LTD., a company organized under the laws of Taiwan ("Analog Taiwan") (the Parent, Analog BV, Analog ApS, Analog Limited, Analog India, Analog Hong Kong, Analog Korea, Analog Shanghai, Analog China and Analog Taiwan are each individually referred to herein as a "Seller" and are collectively referred to herein as the "Sellers"), and MEDIATEK INC., a company organized under the laws of Taiwan (the "Buyer"). The Sellers and the Buyer are referred to collectively herein as the "Parties."

## INTRODUCTION

1. The Sellers are engaged, among other matters, in the Business.

2. The Buyer desires to purchase from the Sellers, and the Sellers desire to sell to the Buyer, the Acquired Assets, subject to the assumption of the Assumed Liabilities and upon the terms and subject to the conditions set forth herein.

3. Capitalized terms used in this Agreement shall have the meanings ascribed to them in Article XI.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

## ARTICLE I
## ASSET PURCHASE

1.1 Purchase and Sale of Assets; Assumption of Liabilities.

(a) Transfer of Assets. On the basis of the representations, warranties, covenants and agreements and subject to the satisfaction or waiver of the conditions set forth in this Agreement, at the Closing, each Seller shall, or cause its Subsidiaries (to the extent owning any Acquired Assets) to, sell, convey, assign, transfer and deliver to the Buyer or any of the Buyer's wholly-owned Subsidiaries designated in writing by the Buyer at least five Business

Days prior to the Closing (collectively, the "Buyer Designees"), and the Buyer shall, or cause the Buyer Designees to, purchase and acquire from each Seller and its Subsidiaries, free and clear of any Security Interests, all of such Sellers' and Subsidiaries' right, title and interest in and to the Acquired Assets.

(b) Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the Acquired Assets shall not include any of the Excluded Assets.

(c) Assumed Liabilities. On the basis of the representations, warranties, covenants and agreements and subject to the satisfaction or waiver of the conditions set forth in this Agreement, at the Closing, the Buyer shall, or cause a Buyer Designee to, assume and agree to pay, perform and discharge when due the Assumed Liabilities.

(d) Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, the Buyer and the Buyer Designees are assuming only the Assumed Liabilities from the Sellers and their respective Subsidiaries and are not assuming any Excluded Liabilities. All Excluded Liabilities shall be retained by and remain Liabilities of the Sellers and their respective Subsidiaries.

1.2 Purchase Price Payment and Related Matters.

(a) Purchase Price Payment. In consideration for the sale and transfer of the Acquired Assets, the Buyer shall, and shall cause the applicable Buyer Designees to, at the Closing, assume the Assumed Liabilities and pay to the Parent the Purchase Price Payment, in cash in immediately available funds in accordance with wire transfer instructions delivered to the Buyer by the Parent not less than two (2) Business Days prior to the Closing. The Parent shall be treated as receiving a portion of the Purchase Price Payment as agent for each of the Sellers (other than the Sellers whose Acquired Assets are being sold pursuant to a Country-Specific Asset Purchase Agreement) consistent with the allocation of the Purchase Price pursuant to Section 1.2(c).

(b) Withholding Taxes. The Parties shall use commercially reasonable efforts to minimize any applicable withholding taxes payable in connection with the consummation of the transaction contemplated hereby and obtain any available exemption, tax credit or refund in respect of any such withholding tax, including the Taiwan Withholding Tax. Buyer will pay on a timely basis all amounts owed pursuant to any such withholding tax to the appropriate Taxing Authority; provided, however, that the Buyer shall first submit to the Parent for its approval all documents it proposes to provide to the applicable Taxing Authority, which approval shall not be unreasonably withheld or delayed. The Buyer shall provide to the Parent an official receipt or other evidence of payment of each such withholding tax reasonably satisfactory to the Parent. Each of the Parent and Buyer shall promptly pay to the other fifty percent (50%) of any cash refund received by it (or an Affiliate) in respect of any such withholding tax. For tax and accounting purposes only, any such payment shall be treated as an increase of the Purchase Price if made by the Buyer and a reduction of the Purchase Price if made by the Parent. If the Parent (or any Affiliate of the Parent) actually receives, after taking into account all other available tax assets, a net tax benefit from a tax credit in respect of any such withholding tax, it shall pay over to the Buyer 50% of the net tax benefit received promptly after the earlier of (i) the expiration of the statute of limitations applicable to the taxable year in which such net tax benefit was received or (ii) the completion of an audit examination by the relevant Taxing Authority of the income tax returns for the taxable year in which such net tax benefit was received. Any such payment shall be treated as a reduction of the Purchase Price for tax and accounting purposes only.

(c) Allocation of Purchase Price. The Purchase Price shall be allocated among the Acquired Assets, the rights granted to the Buyer under the License Agreement and the covenant contained in Section 10.2 as follows:

(i) Buyer shall prepare and deliver to the Parent, as soon as practicable, and, in any event, within 60 days following the Closing, a schedule setting forth a specific proposed allocation of the Purchase Price among the Acquired Assets, the rights granted to the Buyer under the License Agreement and the covenant contained in Section 10.2, in accordance with Section 1060 of the Code. The Parent shall deliver to the Buyer, within 30 days after delivery of such allocation schedule, either a notice indicating that the Parent accepts such allocation schedule or a statement detailing its objections to such allocation schedule. If the Parent delivers to the Buyer a notice accepting the Buyer’s allocation schedule, or if the Parent does not deliver a written objection within such 30-day period, then, effective as of either the date of delivery of such notice of acceptance or as of the close of business on such 30th day, such allocation schedule shall be deemed to be accepted by the Parent. If the Parent timely objects to the Buyer’s schedule, the Parent and the Buyer shall use commercially reasonable efforts to resolve such dispute within 15 days. If the Buyer and the Parent cannot reach agreement on such allocation within 15 days following the date that the Parent notified the Buyer of the objection, then the Parent and the Buyer shall jointly engage the Neutral Accountant to resolve the disputed items. The Buyer and the Parent agree to provide to the Neutral Accountant such information as the Neutral Accountant may reasonably request in connection with the resolution of the disputed items and shall request that the Neutral Accountant resolve such dispute as promptly as practicable. The Buyer and the Parent each shall pay half of the fees and expenses of the Neutral Accountant for its services under this Section 1.2(c).

(ii) The resolution by the Neutral Accountant of the matters set forth in this Section 1.2(c) shall be conclusive and binding upon the Buyer and the Parent. The Buyer and the Parent agree to file all Tax Returns in a manner consistent with the allocation of the Purchase Price as finally determined in accordance with this Section 1.2(c). The Buyer and the Parent agree that the procedure set forth in this Section 1.2(c) for resolving disputes with respect to the allocation of the Purchase Price shall be the sole and exclusive method for resolving any such disputes; provided that this provision shall not prohibit either Party from instituting litigation to enforce any ruling of the Neutral Accountant.

(iii) Notwithstanding the foregoing, the specific allocation of the Purchase Price pursuant to this Section 1.2(c) shall be consistent with the general allocation set forth in Section 1.2(c) of the Disclosure Schedule.

(d) Escrow Fund. At the Closing, the Buyer shall deposit a portion of the Purchase Price equal to the Escrow Amount into an escrow account (the “Escrow Fund”) pursuant to an escrow agreement to be reasonably agreed upon by Parent and Buyer (the

"Escrow Agreement"), which shall cover the matters set forth in Section 1.2(d) of the Disclosure Schedule. The Escrow Fund shall be held as a trust fund and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of any party, and shall be held and disbursed solely for the purposes and in accordance with the terms of the Escrow Agreement. The escrow agent under the Escrow Agreement (the "Escrow Agent") shall be a financial institution headquartered in the United States reasonably acceptable to the Buyer and Parent. The Buyer and the Parent agree that the Escrow Fund, and any reimbursement therefrom, shall be administered in accordance with the terms set forth in Section 1.2(d) of the Disclosure Schedule.

1.3 The Closing.

(a) Time and Location. The Closing shall take place at the offices of Wilmer Cutler Pickering Hale and Dorr LLP in Boston, MA, commencing at 10:00 a.m., local time, as soon as practicable (but in no event more than three Business Days) after the first date on which the conditions to the obligations of the Parties to consummate the transactions contemplated hereby (excluding the delivery of any documents to be delivered at the Closing by any of the Parties, it being understood that the occurrence of the Closing shall remain subject to the delivery of such documents) have been satisfied or waived.

(b) Actions at the Closing.

At the Closing:

(i) the Sellers shall deliver (or cause to be delivered) to the Buyer the various certificates, instruments and documents required to be delivered under Section 5.1;

(ii) the Buyer shall deliver (or cause to be delivered) to the Sellers the various certificates, instruments and documents required to be delivered under Section 5.2;

(iii) the Sellers and the Buyer shall execute and deliver the Transition Services Agreement in the form attached hereto as Exhibit A;

(iv) the Sellers shall execute and deliver a Bill of Sale in substantially the form attached hereto as Exhibit B;

(v) the Parent, Analog BV, the Buyer and any applicable Buyer Designee(s) shall execute and deliver the License Agreement in the form attached hereto as Exhibit C;

(vi) each Seller owning patents or patent applications included in the Acquired Assets shall execute and deliver a Patent Assignment in substantially the form attached hereto as Exhibit D;

(vii) each Seller owning registered trademarks included in the Acquired Assets shall execute and deliver a Trademark Assignment in substantially the form attached hereto as Exhibit E;

(viii) each Seller owning registered mask works included in the Acquired Assets shall execute and deliver a Mask Work Assignment in substantially the form attached hereto as Exhibit F;

(ix) the Buyer shall execute and deliver to Sellers an Instrument of Assumption of Liabilities in substantially the form attached hereto as Exhibit G;

(x) the applicable Sellers and the applicable Buyer Designees shall execute the Country-Specific Asset Purchase Agreements and such additional documents as may be reasonably necessary to consummate the transactions contemplated by the Country-Specific Asset Purchase Agreements;

(xi) the Parent, Buyer and the Escrow Agent under the Escrow Agreement shall execute and deliver the Escrow Agreement;

(xii) the Sellers and the Buyer and/or the applicable Buyer Designees shall execute and deliver such other instruments of conveyance as the Buyer may reasonably request in order to effect the sale, transfer, conveyance and assignment to the Buyer and/or the applicable Buyer Designees of valid ownership of the Acquired Assets owned by the Sellers;

(xiii) the Buyer and the Sellers shall execute and deliver such other instruments as any Seller may reasonably request in order to effect the assumption by the Buyer and/or the applicable Buyer Designees of the Assumed Liabilities;

(xiv) each Seller shall transfer the Books and Records to the Buyer and/or the applicable Buyer Designees;

(xv) the Buyer shall pay to the Parent the Purchase Price Payment in cash by wire transfer of immediately available funds into an account designated by the Parent in accordance with Section 1.2(a);

(xvi) the Sellers shall put the Buyer and/or the applicable Buyer Designees in possession and control of, all of the Acquired Assets of a tangible nature owned by the Sellers;

(xvii) each Seller that shall transfer an interest in U.S. real property pursuant to this Agreement or the Ancillary Agreements shall deliver to the Buyer a certification to the effect that such Seller is not a “foreign person” as defined in Section 1445 of the Code; and

(xviii) the Parties shall execute and deliver to each other a cross-receipt evidencing the transactions referred to above.

1.4 Consents to Assignment.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign or transfer any contract, lease, authorization, license or permit, or any claim, right or benefit arising thereunder or resulting therefrom, if an attempted assignment or transfer thereof, without the consent of a third party thereto or of the issuing Governmental Entity, as the case may be, would constitute a breach thereof. If consent to assignment for the agreements set forth in Section 2.3 of the Disclosure Schedule is not obtained prior to Closing, then, from and after the Closing, the Sellers and the Buyer will cooperate, in all reasonable respects, to obtain such consent as soon as practicable after the Closing, provided, that no Seller shall be required to make any payments or agree to any material undertakings in connection therewith.

(b) Anything in this Agreement to the contrary notwithstanding, the transfer of Acquired Assets in India which are subject to the approval of the STPI, Customs and Excise Authorities with respect to the Debonding and Bonding of Duty Free assets (the "STPI Approval") and payment of the portion of the Purchase Price allocated to such assets shall not occur until such approval has been obtained.

1.5 Further Assurances. At any time and from time to time after the Closing Date, as and when requested by any Party hereto and at such Party's expense, the other Party or Parties shall promptly execute and deliver, or cause to be executed and delivered, all such documents, instruments and certificates and shall take, or cause to be taken, all such further or other actions as are reasonably necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

## ARTICLE II
## REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers jointly and severally represent and warrant to the Buyer that the statements contained in this Article II are true and correct as of the date hereof and as of the Closing Date, except as set forth in the Disclosure Schedule. The Disclosure Schedule is arranged in sections and subsections corresponding to the numbered and lettered sections and subsections contained in this Article II. The disclosures in any section or subsection of the Disclosure Schedule shall qualify other sections and subsections in this Article II to the extent it is reasonably apparent from a reading of the disclosure that such disclosure is applicable to such other sections and subsections. The inclusion of any information in the Disclosure Schedule shall not be deemed to be an admission or acknowledgment, in and of itself, that such information is required by the terms hereof to be disclosed, is material to the Business, has resulted in or would result in a Business Material Adverse Effect, or is outside the ordinary course of business. For purposes of this Agreement, the phrase "to the knowledge of the Sellers" or any phrase of similar import shall mean and be limited to the actual knowledge, after due inquiry of their respective direct reports, of the following individuals (which such due inquiry the Sellers have caused and shall cause such individuals to make): Christian Kermarrec, Bill Martin, Brian McAloon, Margaret Seif, Kevin Lanouette and Tom Tuytschaevers.

2.1 Organization, Qualification and Corporate Power. Each of the Sellers is a corporation duly organized, validly existing and, where applicable, in good standing under the laws of its respective jurisdiction of organization and is duly qualified to conduct business under the laws of each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities, in each case as they relate to the Business, makes such qualification necessary, except for any such failure to be qualified that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect. Each Seller has all requisite corporate power and authority to carry on the business in which it is now engaged and to own and use the properties now owned and used by it.

2.2 Authority. Each Seller has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery by each Seller of this Agreement and such Ancillary Agreements and the consummation by each Seller of the transactions contemplated hereby and thereby have been validly authorized by all necessary corporate action on the part of each Seller. This Agreement has been, and such Ancillary Agreements will be, validly executed and delivered by each Seller and, assuming this Agreement and each such Ancillary Agreement constitute the valid and binding obligation of the Buyer, constitutes or will constitute a valid and binding obligation of each Seller, enforceable against each Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and by equitable principles, including those limiting the availability of specific performance, injunctive relief and other equitable remedies and those providing for equitable defenses.

2.3 Noncontravention. Except as set forth in Section 2.3 of the Disclosure Schedule, subject to (i) compliance with the applicable requirements of the Hart-Scott-Rodino Act, and applicable foreign antitrust or trade regulation laws, (ii) compliance with Section 721 of the Defense Production Act of 1950 ("Exon-Florio") and (iii) receipt of the STPI Approval, neither the execution and delivery by any Seller of this Agreement or the Ancillary Agreements to which such Seller will be a party, nor the consummation by any Seller of the transactions contemplated hereby or thereby, will:

(a) conflict with or violate any provision of the charter or bylaws of such Seller or any of its Subsidiaries;

(b) require on the part of any Seller any filing with, or any permit, authorization, consent or approval of, any Governmental Entity, except for any filing, permit, authorization, consent or approval which if not obtained or made would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect;

(c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations or loss of benefits under, create in any party the right to terminate or modify, or require any notice, consent or waiver under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of Indebtedness or Security Interest to which any Seller is a party or by which any Seller is bound or to which any of their respective assets is subject, except for (i) any conflict, breach, default, acceleration, loss of benefit, or right to terminate or modify that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect or (ii) any notice, consent or waiver the absence of which would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect;

(d) violate any order, writ, injunction or decree specifically naming, or statute, rule or regulation applicable to, any Seller or any of its Subsidiaries or any of their respective properties or assets, except for any violation that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect; or

(e) result in the creation or imposition of any Security Interest on any Acquired Asset.

2.4 Financial Statements. The income statements for the Business for the fiscal years ended October 30, 2004, October 29, 2005 and October 28, 2006, for the fiscal quarters ended February 3, 2007 and May 5, 2007 and for the month ended June 30, 2007, true and complete copies of which are set forth in Section 2.4 of the Disclosure Schedule, were prepared by management of the Business in the ordinary course of business and in accordance with Parent's accounting policies as made available to the Buyer prior to the date hereof, consistently applied; provided, however, that such income statements are based on the combined revenues, expenses, assets and liabilities of the Business. Such income statements have been derived from the books and records of the Business, provided, that such income statements were not necessarily prepared in accordance with generally accepted accounting principles, including with respect to the allocation or estimation of costs and operating expenses that were included in the Business.

2.5 Absence of Certain Changes. Except as contemplated by this Agreement, since the Measurement Date, the Business has been conducted in the ordinary course consistent with past practice and there has not been any event, occurrence or development which, individually or in the aggregate, has had or would reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect. Except as contemplated by this Agreement, since the Measurement Date, no Seller nor any of its Subsidiaries has taken any of the following actions (or permitted any of the following events to occur) with respect to the Business:

(a) sold, assigned, transferred, leased, licensed or otherwise disposed of any assets of the Business in a single transaction or series of related transactions in an amount in excess of $500,000, except for the sale of inventory and obsolete equipment and licenses granted in the ordinary course of business consistent with past practice;

(b) suffered any damage, destruction or other extraordinary losses (whether or not covered by insurance) material to the Business;

(c) made any capital expenditures or commitments therefor, except in accordance with the Business' capital budget included in Section 2.5(c) of the Disclosure Schedule (the "Capex Budget") or (ii) failed to make any capital expenditures contemplated by the Capex Budget;

(d) acquired any business, whether by merger, stock purchase or asset purchase;

(e) incurred, assumed or guaranteed any Indebtedness, except in the ordinary course of business consistent with past practice;

(f) created or otherwise incurred any Security Interest on any material Acquired Asset;

(g) other than the matters expressly contemplated by Article IX hereof and the Retention Benefits Letter, (i) entered into any employment, compensation or deferred compensation agreement (or any amendment to any such existing agreement) with any executive Employee or other Employee of the Business whose annual base salary exceeds $150,000, (ii) granted any severance, “stay put” or termination pay to any employee of the Business or (iii) increased any amount of compensation or other benefits payable or potentially payable to any employee of the Business, other than in the ordinary course of business consistent with past practice;

(h) engaged in (i) any trade loading practices or any other promotional sales or discount activity with any customers or distributors with any intent of accelerating to the period prior to Closing sales to the trade or otherwise that would otherwise reasonably be expected to occur in the period after Closing, or (ii) any other promotional sales or discount activity, in each case, in a manner outside the ordinary course of business consistent with past practice;

(i) failed to maintain any sales incentive plans and programs and sales quotas or incentives for Products, in each case, in the ordinary course of business consistent with past practice;

(j) entered into any amendment, termination, cancellation, or compromise of any material claims relating to the Business, or waiver of any right that is material to the Business;

(k) effected any material change in any method of accounting or accounting practice by any Seller or any of its Subsidiaries with respect to the Business except for any such change required by reason of a concurrent change in generally accepted accounting principles;

(l) commenced, settled, or offered to settle, (A) any material litigation, investigation, arbitration, proceeding or other claim involving or against the Business or (B) any litigation, arbitration, proceeding or dispute that relates to the transactions contemplated hereby; or

(m) entered into any agreement or commitment with respect to any of the matters referred to in paragraphs (a) through (l) of this Section 2.5.

2.6 Tangible Personal Property. Each applicable Seller or one of its Subsidiaries has good and marketable title to, a valid leasehold interest in or a valid license or right to use, all of the Acquired Assets which constitute tangible personal property free and clear of all Security Interests. All of such Acquired Assets are in good operating condition and repair, ordinary wear and tear excepted, other than such states of disrepair which would not, individually or in the aggregate, reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect. The Acquired Assets do not include any equity interests in any Person.

2.7 Leased Real Property.

(a) Section 2.7(a) of the Disclosure Schedule lists the street addresses of all Leased Real Property and indicates which Leases will be Acquired Assets and which Leases will be Excluded Assets. The Sellers have made available to the Buyer complete and accurate copies of the Leases (as amended to date).

(b) With respect to each such Lease:

(i) Such Lease is a valid and binding obligation of the applicable Seller or its applicable Subsidiary and, to the knowledge of the Sellers, each other party to such Lease, and is in full force and effect.

(ii) Neither the applicable Seller or any of its Subsidiaries nor, to the knowledge of the Sellers, any other party to such Lease is in breach or default in any respect under the terms of such Lease and, to the knowledge of the Sellers, no event has occurred which, with notice or lapse of time or both, would constitute a breach or default or permit termination, modification or acceleration thereunder, except for any such breach or default as would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect.

(c) The applicable Seller or one of its Subsidiaries has a valid leasehold interest in all Leased Real Property. No Seller nor any of its Subsidiaries has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold of any Lease, or entered into any sublease, license, option, right, concession or other agreement or arrangement granting to any person the right to use or occupy any Leased Real Property or any portion thereof or interest therein.

(d) To the knowledge of the Sellers, no parcel of Leased Real Property is subject to any pending or threatened condemnation action.

2.8 Intellectual Property.

(a) The Disclosure Schedule lists the Registered Intellectual Property Rights. The applicable Seller owns the Registered Intellectual Property Rights. All applications for Registered Intellectual Property Rights have been properly made and filed, all registrations for Registered Intellectual Property Rights are properly registered, and all annuity, maintenance, renewal and other fees relating to any Registered Intellectual Property Rights are current. None of the Registered Intellectual Property Rights have been adjudged (by consent or otherwise) invalid, unenforceable, or not infringed in a proceeding in which a Seller has been named as a party or is otherwise known to the Sellers. To the knowledge of the Sellers, all of the Registered Intellectual Property Rights are valid and enforceable. A complete chain of assignments from the initial owner to the applicable Seller (or to their licensor in the case of exclusively licensed Intellectual Property Rights) has been duly recorded with the appropriate governmental authority for each of the Patents, Copyrights and Trademarks included in the Registered Intellectual Property Rights.

(b) No Seller has, with respect to the Business, been named in any pending suit, action or proceeding which involves a claim of infringement of any Patents, Trademarks, Trade Secrets or Copyrights of any third party except as set forth in Section 2.8(b) of the Disclosure Schedule. No Seller has received written notice of any material allegation that any products or services of the Business, or any Transferred Technology or Licensed Technology, infringes the Intellectual Property Rights of any third party. To the knowledge of the Sellers, the Transferred Technology, the Licensed Technology, and the conduct of the Business as presently conducted and the current use of the Transferred Technology and Licensed Technology in connection therewith do not (and will not solely by virtue of the consummation of the transactions contemplated by this Agreement) materially infringe any valid Patents of any third party. The Transferred Technology, the Licensed Technology, and the conduct of the Business as presently conducted and the current use of the Transferred Technology and Licensed Technology in connection therewith do not (and will not solely by virtue of the consummation of the transactions contemplated by this Agreement) materially infringe any Trademarks, Trade Secrets or Copyrights of any third party.

(c) Each applicable Seller has performed the obligations required to be performed by it under the terms of any agreement pursuant to which the applicable Seller has rights in any Transferred Intellectual Property Rights or Licensed Intellectual Property Rights, if the failure to perform such obligations would give rise to the right of any other party thereto to terminate such agreement or would otherwise result in a loss of material rights by such Seller. No Seller is in breach under any such agreements, to the extent such breach would give rise to the right of any other party thereto to terminate such agreement or would otherwise result in a loss of material rights by such Seller. To the knowledge of the Sellers, no third party is in material breach under any such agreement except for any breach that would not reasonably be likely to result in a Business Material Adverse Effect.

(d) Other than non-exclusive rights and licenses granted in the ordinary course of business to the Sellers' customers and distributors with respect to the Products, no third party has been granted or holds any license or right to the commercial use of any of the Transferred Intellectual Property Rights. The applicable Seller solely owns the Transferred Intellectual Property Rights, free and clear of any and all current and contingent Liens. The Sellers have used reasonable commercial efforts to maintain the confidentiality of all Transferred Intellectual Property Rights, to the extent the value of which is dependent, in whole or in part, upon maintaining the confidentiality thereof. Upon consummation of the transactions contemplated herein, the Sellers shall not retain any rights under the Transferred Intellectual Property Rights except as provided in the License Agreement.

(e) Except as identified in Section 2.8(e) of the Disclosure Schedule, there are no material restrictions (current or contingent) on the use, disclosure, licensing or transfer by the Sellers of the Transferred Intellectual Property Rights, the Transferred Technology, the Licensed Intellectual Property Rights or the Licensed Technology, nor will consummation of the transactions contemplated herein impose any such restrictions upon Buyer.

(f) Section 2.8(f)(i) of the Disclosure Schedule lists all agreements, except for agreements with past and current employees of the Sellers and their Subsidiaries in their capacities as employees, governing the development or acquisition of the Transferred Technology and/or the Transferred Intellectual Property Rights by or for the Sellers. Section 2.8(f)(ii) of the Disclosure Schedule lists all agreements, except for agreements with past and current employees of the Sellers and their Subsidiaries in their capacities as employees, governing the development, acquisition, or in-licensing of the Licensed Technology and/or the Licensed Intellectual Property Rights by or for the Sellers. The Sellers have entered into non-disclosure and assignment of invention (or comparable) agreements with past and current employees appropriate in the Sellers' reasonable judgment with respect to the development and acquisition of Transferred Technology, Transferred Intellectual Property Rights, Licensed Technology and Licensed Technology rights.

(g) Except as identified and described in Section 2.8(g) of the Disclosure Schedule, none of the Sellers has given any Person an indemnity still in force in connection with Intellectual Property Rights relating to the products or services of the Business, other than indemnities that would arise under operation of law or a standard form sales contract of the Business, a copy of which is attached in Section 2.8(g) of the Disclosure Schedule.

(h) Except as identified and described in Section 2.8(h) of the Disclosure Schedule, to the knowledge of the Sellers, the Products do not contain and are not derivative of any software that is distributed under a license or distribution model requiring the public distribution or disclosure of source code, including without limitation the GNU General Public License (GPL), or the GNU Lesser General Public License or GNU Library General Public License (LGPL) (**"**<u>Open Source Software</u>**"**). No Person other than the Sellers possesses any current or contingent rights to the source code for any software that is a material part of the Transferred Intellectual Property Rights, arising from the use of Open Source Software or otherwise.

(i) Except as set forth in Section 2.8(i) of the Disclosure Schedule, to the knowledge of the Sellers, none of the software included in the Transferred Technology or Licensed Technology contains any worm, bomb, backdoor, clock, timer, or other disabling device code, design or routine which can cause software to be erased, inoperable, or otherwise incapable of being used, either automatically or upon command by any person.

2.9 <u>Contracts</u>.

(a) Section 2.9(a)(A) of the Disclosure Schedule lists all of the following contracts or agreements to which any Seller or any of its Subsidiaries is a party as of the date of this Agreement that relate exclusively to the Business (excluding Leases and any contracts or agreements relating exclusively to Excluded Assets) and Section 2.9(a)(B) of the Disclosure Schedule lists all of the following contracts or agreements to which any Seller or its Subsidiaries is a party as of the date of this Agreement that are otherwise necessary for or related to the operation of the Business (excluding Leases and any contracts or agreements related exclusively to Excluded Assets):

(i) any agreement (or group of related agreements with the same party) for the lease of personal property from or to third parties providing for lease payments the remaining unpaid balance of which is in excess of $100,000 or annual payments in excess of $50,000;

(ii) any agreement (or group of related agreements with the same party) for the purchase of materials, supplies, goods, products, services, equipment or other assets under which either (A) since October 30, 2005 there have been payments by the Sellers and their respective Subsidiaries, taken as a whole, of $250,000 or more or (B) the aggregate undelivered balance of such is in excess of $100,000;

(iii) any agreement (or group of related agreements with the same party) (A) with any of the 15 largest customers of the Business (determined on the basis of aggregate payments received by the Sellers and their Subsidiaries, taken as a whole, over the four consecutive fiscal quarter periods ended May 5, 2007) and (B) other than the agreements referred to in clause (A) above, any agreement (or group of related agreements with the same party) under which (x) since May 5, 2007 there have been payments to the Sellers and their respective Subsidiaries, taken as a whole, of $500,000 or more or (y) the aggregate undelivered balance of such payments is in excess of $500,000;

(iv) any agreement for the acquisition by any Seller of any assets or business, whether by merger, stock purchase or asset purchase or any assets involving consideration in excess of $250,000, except for purchases of inventory or capital expenditures in the ordinary course of business consistent with past practice;

(v) any agreement establishing a partnership, joint venture or other similar arrangement;

(vi) any agreement that contains any provision (A) restricting any Seller or any of its Subsidiaries from competing in any line of business or with any Person or in any area or engaging in any activity or business (including with respect to the development, manufacture, marketing or distribution of their respective products or services), or pursuant to which any Seller or any of its Subsidiaries has agreed to refrain from granting license rights to any other Person under any Transferred Intellectual Property Rights, or pursuant to which any benefit or right is required to be given or lost as a result of so competing or engaging, (B) granting any material exclusive license, supply or distribution agreement or other material exclusive rights, (C) granting any material “most favored nation”, rights of first refusal, rights of first negotiation or similar rights with respect to any product, service or Intellectual Property Right, or (D) requiring the purchase of all or substantially all or a given portion of the Business’ requirements from a given third party which is material to the Business or (E) which by its terms would have any of the foregoing effects on an assignee of such agreement solely as a result of the assignment;

(vii) any agreement involving an Employee of the Business providing annual base annual compensation at a rate in excess of $150,000;

(viii) severance, deferred compensation, retirement, "stay pay" or termination agreement with any current officer or other Employee of the Business;

(ix) any agreement which is subject to any Seller Guarantee;

(x) any agreement between the Sellers on the one hand and (A) Sellers or any of Sellers' Affiliates, (B) any person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of any Seller or any of Sellers' Affiliates or (C) any director or, except for employment agreements identified in Section 2.13(a) of the Disclosure Schedule, any officer of Sellers or any of their Affiliates or any "associates" or members of the "immediate family" (as such terms are respectively defined in Rule 12b-2 and Rule 161-1 of the Exchange Act) of any such director or officer, on the other hand, that will not be terminated at or prior to the Closing without creation of any Liability; and

(xi) any other agreement not required to be disclosed pursuant to clauses (i) through (x) above the termination or lapse of which would reasonably be expected to have a Business Material Adverse Effect.

(b) The Sellers have made available to the Buyer a complete and accurate copy of each contract or agreement set forth in Section 2.9(a)(A) of the Disclosure Schedule. Each contract or agreement disclosed in Section 2.9(a)(A) of the Disclosure Schedule, required to be disclosed pursuant to Section 2.9(a)(A) or which would have been required to be so disclosed if it had existed on the date of this Agreement (collectively, the "Material Contracts") is a valid and binding obligation of the applicable Seller or its Subsidiary, as the case may be, and, to the knowledge of the Sellers, of each other party thereto and is in full force and effect. None of Sellers or any of their Subsidiaries or, to the knowledge of Sellers, any other party thereto is in breach or default in any respect under the terms of any Material Contract, and, to the knowledge of the Sellers, no event has occurred which, with notice or lapse of time or both, would constitute such breach or default or permit termination, modification or acceleration thereunder, except for any such defaults or breaches that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect.

2.10 Entire Business. Except for the Excluded Assets, the Licensed Intellectual Property Rights, the Licensed Technology, the assets used in the delivery of services described in the Transition Services Agreement, the design tools and the service agreements set forth in Section 2.10 of the Disclosure Schedule and any Essential Intellectual Property Rights, the Acquired Assets are, when utilized by a labor force substantially similar to that employed by the Sellers in connection with the Business on the date hereof, sufficient to conduct the Business as currently conducted by the Sellers, and as will be conducted by the Sellers prior to Closing and as proposed by the Sellers to be conducted as at the Closing in accordance with the provisions of this Agreement. This Section 2.10 does not relate to infringement of Intellectual Property Rights of any third party, which shall be covered by Section 2.8 of this Agreement.

2.11 Litigation. There is no (a) judgment, order, decree, stipulation or injunction of any Governmental Entity binding on any Seller or any of its Subsidiaries that relates to the Business nor (b) any action, suit, investigation or proceeding pending by or against or, to the knowledge of Sellers, threatened by or against any Seller or any of its Subsidiaries, (i) relating to or affecting the Business or any Acquired Assets by or before any arbitrator or any Government Entity or (ii) that in any manner questions the validity of this Agreement or any of the Ancillary Agreements or that seeks to prevent, enjoin, alter or materially delay the transactions contemplated hereby and thereby, except in the case of this clause (ii), any that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect.

2.12 Employment Matters.

(a) Section 2.12(a) of the Disclosure Schedule contains a list, as of the date of this Agreement, of all Employees and Contractors, along with the position, the annual rate of compensation and location of each such person. Each current Employee has entered into a confidentiality/assignment of inventions agreement (or other form of intellectual property agreement) with the applicable Seller, forms each of which are set forth in Section 2.12(a) of the Disclosure Schedule. Section 2.12(a) of the Disclosure Schedule contains a list of all current Employees who are a party to a non-competition agreement with any Seller; copies of such agreements have previously been delivered to the Buyer. Section 2.12(a) of the Disclosure Schedule contains a list as of July 31, 2007 of all current Employees who are on authorized leaves of absence, leaves of absence pursuant to legally mandated programs or policies, or short- or long-term disability, other than routine sick leave of no more than 14 Business Days, and any date on which any such Employee is expected to return to active employment.

(b) No Seller is a party to or bound by any collective bargaining agreement relating to the Business, nor is there any union or works council with respect to any Employee, nor has any Seller experienced, since January 1, 2002, any material strikes, grievances, claims of unfair labor practices or other collective bargaining disputes with respect to the Business.

(c) The Sellers and their Subsidiaries have, since December 31, 2003, complied, in all material respects relating to the Business, with all Applicable Laws relating to labor and employment, including those relating to wages, hours, collective bargaining, unemployment compensation, worker's compensation, equal employment opportunity, age and disability discrimination, immigration control, employee classification, information privacy and security, payment and withholding of taxes, and continuation coverage with respect to group health plans.

2.13 Employee Benefits.

(a) Section 2.13(a) of the Disclosure Schedule contains a complete and accurate list of all Business Benefit Plans (copies of which have been provided to the Buyer prior to the date hereof).

(b) The Business Benefit Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the Internal Revenue Service to the effect that such Business Benefit Plans are qualified and the plans and the trusts related thereto are exempt from federal income Taxes under Sections 401(a) and 501(a), respectively, of the Code, or the period for obtaining such a determination letter has not yet closed.

(c) No violation of or failure to comply with Applicable Law exists or has existed, and there are no claims or actions (other than routine claims for benefits) pending or, to the knowledge of the Sellers, threatened, with respect to any Business Benefit Plan maintained by any Seller, any of their respective Affiliates or any ERISA Affiliate that could reasonably subject the Buyer to any significant or material fine, penalty, Tax or liability of any kind imposed under ERISA, the Code or other Applicable Law.

(d) Except as otherwise expressly provided in Article IX, there are no material obligations under any Business Benefit Plan providing welfare benefits (not including severance or benefits contained in Sellers' pension plans that will not otherwise than by operation of Applicable Law become obligations of the Buyer) after termination of employment to any Employee (or to any beneficiary of any such employee), excluding continuation of health coverage required to be continued under Section 4980B of the Code or other similar Applicable Laws, that would become an Assumed Liability.

(e) Except as otherwise provided in Section 2.13(e) of the Disclosure Schedule, no Employee is eligible for or participates in a defined benefit plan, a plan subject to Title IV of the Code or any Multiemployer Plans.

(f) Except as set forth in the Retention Benefits Letter or expressly provided in Article IX of this Agreement, no Employee will become entitled to any bonus, retirement or similar benefit, or the enhancement or acceleration of any benefit as a result of the transactions contemplated hereby.

2.14 Environmental Matters.

(a) To the knowledge of the Sellers (which, for purposes of this Section 2.14 only, shall also include the actual knowledge of Michael Ferdenzi, after due inquiry of his direct reports (which such due inquiry the Sellers have caused and shall cause such individual to make)), except as described in Section 2.14 of the Disclosure Schedule:

(i) each of the Sellers and their respective Subsidiaries (in connection with the Business), the Business, the Business Properties and the Acquired Assets is in compliance with applicable Environmental Laws, except for any failure to comply with Environmental Laws that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect;

(ii) there is no pending or, to the knowledge of Sellers, threatened, civil or criminal litigation, written notice of violation or formal administrative proceeding, investigation, claim, fine, penalty, citation, summons or order relating to any Environmental Law or Material of Environmental Concern involving any Seller or any of its Subsidiaries in connection with the Business, the Business, the Acquired Assets or any of the Business Properties or any property formerly owned, leased or operated by the Business (as currently or formerly conducted), except for any such litigation, notice, proceeding, investigation, claim, fine, penalty, citation, summons or order that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect;

(iii) the applicable Seller has those permits, licenses, approvals, franchises, qualifications or other similar authorizations required under Environmental Law ("Environmental Permits") to operate the Business, the Acquired Assets and the Business Properties as currently operated by such Seller, except for any such permits, licenses, approvals, or other authorizations the absence of which would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect;

(iv) no Materials of Environmental Concern have been Released on, at, under, to or from any Acquired Asset or Business Property or any other real property or facility currently or previously owned, leased or operated by the Business (as currently or formerly conducted), except for any such Release that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect; and

(v) except for any failure to comply that would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect, each of the Products does and has complied with Applicable Laws pertaining to: the presence (or absence) of specified substances in electrical or electronic or other products; registration or notification of chemical substances in products; labeling of product or product packaging as respects product content or as respects health, safety or environmental effects or attributes or as respects required end-of-life handling or disposition of products or product packaging; and coverage and payment of fees under an approved scheme for end-of-life, return and recycling of products or of product packaging. Without limiting the foregoing, each of the Products sold in the European Union meets, in all material respects, the restrictions of the European Union's Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive 2002/95/EC.

(b) There has been no written environmental investigation, study, audit, test, review or other analysis conducted of which any Seller has knowledge in relation to the Business (as currently or formerly conducted), the Acquired Assets or any Business Property which has not been delivered to Buyer at least ten days prior to the date hereof.

(c) The Business does not own, lease or operate any property in New Jersey or Connecticut.

(d) The Parties agree that the only representations and warranties of the Sellers herein as to any Environmental Matters or any other obligation or liability with respect to Materials of Environmental Concern are those contained in this Section 2.14. Without limiting the generality of the foregoing, the Buyer specifically acknowledges that the representations and warranties contained in Sections 2.11, 2.15 and 2.16 do not relate to Environmental Matters.

(e) For the purposes of this Section 2.14, "Business" does not include or incorporate individual operations of any and all contract manufacturers and contract manufacturing operations, who and which shall remain independently responsible for their businesses and business operations.

2.15 Legal Compliance. Each Seller and each of its Subsidiaries is, and during the previous three years has been, with respect to the Business and the Acquired Assets, in compliance with all Applicable Laws, except where the failure to comply therewith would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect. No Seller nor any of its Subsidiaries has received written notice of any pending action, suit, proceeding, hearing, investigation, claim, demand or notice relating to the Business or the Acquired Assets alleging any material failure to so comply with any material Applicable Law.

2.16 Legal Permits. Section 2.16 of the Disclosure Schedule lists all material Legal Permits. Each Seller and each of its Subsidiaries possesses all Legal Permits with, or issued by, any Governmental Entity necessary for the operation of the Business as currently conducted, except for any Legal Permits which if not so possessed would not reasonably be expected to result in a Business Material Adverse Effect. Each Seller and each of its Subsidiaries possesses all material Legal Permits with, or issued by, any Governmental Entity necessary for the operation of the Business as currently conducted. Each Legal Permit listed in Section 2.16 of the Disclosure Schedule is in full force and effect. No Seller and nor any of its Subsidiaries is in default, in any material respect, under any material Legal Permit, and no event, condition or occurrence exists that with notice or lapse of time or both, would constitute a default, in any material respect, under any material Legal Permit. None of the material Legal Permits will be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated hereby, except as set forth in Section 2.16 of the Disclosure Schedule.

2.17 Inventory. The estimated unaudited gross book value of the Inventory as of the Measurement Date is set forth in Section 2.17 of the Disclosure Schedule. All Inventory (i) is usable and saleable in the ordinary course of business, except as set forth in Section 2.17 of the Disclosure Schedule and (ii) is owned free and clear of all Security Interests.

2.18 Warranties. Section 2.18 of the Disclosure Schedule sets forth a description of the standard warranties currently offered or still in effect with respect to the Business as of the date of this Agreement (other than warranties under Applicable Law). All Products are in conformity with all Applicable Law and such warranties, with only such exceptions as would not reasonably be expected to be material to the Business. No Seller nor any of its Subsidiaries has been notified of any claims for, and Sellers have no knowledge of any threatened claims for, any product returns, warranty obligations or product services that would reasonably be expected to be material to the Business.

2.19 Customers and Suppliers/Licensors. Section 2.19 of the Disclosure Schedule sets forth a list of (a) the top 15 customers of the Business (determined by revenue of the Sellers and their Subsidiaries) in (i) the last full fiscal year and (ii) the interim period through the Measurement Date and the amount of revenues accounted for by such customer during each such period and (b) the top 15 suppliers or licensors of the Business (determined by expenditures of the Sellers and their Subsidiaries) in (i) the last full fiscal year and (ii) the interim period through the Measurement Date, and each supplier that is the sole supplier of any significant product, technology or service to the Business. As of the date of this Agreement, (i) no such customer or supplier within the last twelve months has canceled or otherwise terminated, or to the knowledge of the Sellers, threatened in writing (other than in connection with negotiations for a new or renewal contract) to cancel or terminate, its relationship with the Business, and (ii) no such customer or supplier has during the last twelve months decreased materially or, to the knowledge of Sellers, threatened in writing (other than in connection with negotiations for a new or renewal contract) to decrease or limit materially its business with the Business, in each case whether as a result of the transactions contemplated hereby or otherwise.

2.20 Insurance. Section 2.20 of the Disclosure Schedule sets forth the insurance coverage maintained and owned by Sellers with respect to the Business, other than directors' and officers' liability insurance. All of such insurance policies are in full force and effect, and the Sellers and their Subsidiaries are not in default in any material respect with respect to their obligations under any such insurance policies. Such policies (or other policies providing substantially similar insurance coverage) have been in effect at least since January 1, 2006 and remain in full force and effect. No Seller has received written notice of the termination of any of such policies.

2.21 Finders' Fees. Except for Credit Suisse Securities (USA) LLC, whose fees will be paid by Parent, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Parent or any of its Affiliates who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

## ARTICLE III
## REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to each Seller that the statements contained in this Article III are true and correct as of the date hereof and of the Closing Date:

3.1 Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of its jurisdiction of organization.

3.2 Authority. The Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery by the Buyer of this Agreement and such Ancillary Agreements and the consummation by the Buyer of the transactions contemplated hereby and thereby have been validly authorized by all necessary corporate action on the part of the Buyer. This Agreement has been, and such Ancillary Agreements will be, validly executed and delivered by the Buyer and, assuming this Agreement and each such Ancillary Agreement constitute the valid and binding obligation of the Sellers, constitutes or will constitute a valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws relating to or affecting the rights of creditors generally and by equitable principles, including those limiting the availability of specific performance, injunctive relief and other equitable remedies and those providing for equitable defenses.

3.3 Noncontravention. Subject to (i) compliance with the applicable requirements of the Hart-Scott-Rodino Act and applicable foreign antitrust or trade regulation laws, (ii) compliance with Exon-Florio, (iii) receipt of the STPI Approval and (iv) obtaining all necessary Taiwanese governmental approvals, including without limitation approvals from the Securities and Futures Bureau, Central Bank of the Republic of China (Taiwan) and Investment Commission of the Ministry of Economic Affairs, neither the execution and delivery by the Buyer of this Agreement or the Ancillary Agreements to which the Buyer will be a party, nor the consummation by the Buyer of the transactions contemplated hereby or thereby, will:

(a) conflict with or violate any provision of the charter or bylaws of the Buyer;

(b) require on the part of the Buyer any filing with, or permit, authorization, consent or approval of, any Governmental Entity, except for any filing, permit, authorization, consent or approval which if not obtained or made would not reasonably be expected to result in a Buyer Material Adverse Effect;

(c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party any right to terminate or modify, or require any notice, consent or waiver under, any contract or agreement to which the Buyer is a party or by which the Buyer is bound, except for (i) any conflict, breach, default, acceleration or right to terminate or modify that would not reasonably be expected to result in a Buyer Material Adverse Effect or (ii) any notice, consent or waiver the absence of which would not reasonably be expected to result in a Buyer Material Adverse Effect; or

(d) violate any order, writ, injunction or decree specifically naming, or statute, rule or regulation applicable to, the Buyer or any of its properties or assets, except for any violation that would not reasonably be expected to result in a Buyer Material Adverse Effect.

3.4 Litigation. There are no actions, suits, claims or legal, administrative or arbitratorial proceedings pending against, or, to the Buyer's knowledge, threatened against, the Buyer which would adversely affect the Buyer's performance of its obligations under this Agreement or the consummation of the transactions contemplated by this Agreement.

3.5 Financing. The Buyer has, and at the Closing will have, sufficient sources of financing in order to consummate the transactions contemplated by this Agreement and to fulfill its obligations hereunder, including without limitation payment to the Sellers of the Purchase Price Payment at the Closing.

3.6 Solvency. Immediately after giving effect to the transactions contemplated by this Agreement and the closing of any financing to be obtained by the Buyer or any of its Affiliates in order to effect the transactions contemplated by this Agreement, the Buyer shall be able to pay its debts as they become due and shall own property having a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities). Immediately after giving effect to the transactions contemplated by this Agreement and any Ancillary Agreements and the closing of any financing to be obtained by the Buyer or any of its Affiliates in order to effect the transactions contemplated by this Agreement and any Ancillary Agreements, the Buyer shall have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by this Agreement and the closing of any financing to be obtained by the Buyer or any of its Affiliates in order to effect the transactions contemplated by this Agreement and any Ancillary Agreements with the intent to hinder, delay or defraud either present or future creditors of the Buyer.

3.7 Due Diligence by the Buyer. The representations and warranties of the Sellers set forth in Article II, including the Disclosure Schedule and other Schedules hereto constitute the sole and exclusive representations and warranties of the Sellers to the Buyer in connection with the transactions contemplated hereby, and the Buyer acknowledges and agrees that the Sellers are not making any representation or warranty whatsoever, express or implied, beyond those expressly given in this Agreement, including any implied warranty as to condition, merchantability, or suitability as to any of the assets of the Business. The Buyer further acknowledges and agrees that any cost estimates, projections or other predictions that may have been provided to the Buyer or any of its employees, agents or representatives are not representations or warranties of the Sellers or any of their Affiliates.

## ARTICLE IV
## PRE-CLOSING COVENANTS

4.1 Closing Efforts; Hart-Scott-Rodino Act.

(a) Subject to the terms and conditions hereof, including Section 4.1(b), each of the Parties shall use commercially reasonable efforts to take, or cause to be taken, all actions and to do all things reasonably necessary or advisable to consummate the transactions contemplated by this Agreement, including using commercially reasonable efforts to: (i) obtain all Third Party Consents, (ii) effect all Governmental Filings and (iii) otherwise comply in all material respects with all Applicable Laws and regulations in connection with the consummation of the transactions contemplated by this Agreement; provided, however, that no Party shall be required to pay consideration (except any filing and application fees) to any person in exchange for obtaining such Third Party Consents; provided, further, that, notwithstanding anything in this Agreement to the contrary, the Parties hereto understand and agree that the commercially reasonable efforts of any Party shall not be deemed to include (x) litigation against, or entering into any settlement, undertaking, consent decree, stipulation or agreement with, any Governmental Entity in connection with the transactions contemplated hereby or (y) divesting or otherwise holding separate (including by establishing a trust or otherwise), or taking any other action (or otherwise agreeing to do any of the foregoing) with respect to the Business or the Acquired Assets. The Parent and the Buyer shall promptly notify the other party of any fact, condition or event known to it that would reasonably be expected to prohibit, make unlawful or delay the consummation of the transactions contemplated by this Agreement.

(b) Without limiting the generality of the foregoing, (x) each of the Parties shall, or shall cause the appropriate Affiliate thereof to, (i) promptly file any Notification and Report Forms and related material that it may be required to file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the Hart-Scott-Rodino Act, (ii) use reasonable commercial efforts to obtain an early termination of all applicable waiting periods under the Hart-Scott-Rodino Act, (iii) make any further filings or information submissions pursuant thereto that may be reasonably necessary or advisable and (iv) promptly make any filings or submissions required under any applicable foreign antitrust or trade regulation law, (y) Buyer shall promptly file a notice with the Committee on Foreign Investment in the United States ("CFIUS") under the Exon-Florio Act and use reasonable commercial efforts to obtain clearance of the transactions contemplated hereby from CFIUS and (z) Buyer shall promptly make all necessary filings to obtain requisite Taiwanese governmental approvals, including without limitation approvals from the Securities and Futures Bureau, Central Bank of the Republic of China (Taiwan) and Investment Commission of the Ministry of Economic Affairs and use reasonable commercial efforts to obtain clearance of the transactions contemplated hereby. Each of the Parties shall use commercially reasonable efforts to resolve any objections that may be asserted by any Governmental Entity with respect to the transactions contemplated hereby, and shall cooperate with each other to contest any challenges to the transactions contemplated hereby by any Governmental Entity. Each of the Parties shall promptly inform each other of any material communication received by such Party from the Federal Trade Commission, the Antitrust Division of the Department of Justice or any other Governmental Entity regarding any of the transactions contemplated hereby (unless the provision of such information would (i) violate the provisions of any Applicable Laws or regulations (including without limitation those relating to security clearance or export controls) or any confidentiality agreement or (ii) cause the loss of the attorney-client privilege with respect thereto).

(c) The Buyer and the Sellers agree to use commercially reasonable efforts prior to the Closing to cooperate with each other to obtain such export licenses as may reasonably be required to consummate the transactions contemplated hereby.

4.2 Replacement of Guarantees and Letters of Credit. The Buyer shall arrange, prior to the Closing, for replacement arrangements reasonably satisfactory to the Sellers (which shall include a full and complete release of each Seller and their respective Affiliates conditioned on the Closing occurring) with respect to Seller Guarantees existing as of the Closing Date.

4.3 Operation of Business.

(a) Except as specifically contemplated by this Agreement, during the period from the date of this Agreement until the Closing Date, each Seller shall, and cause its Subsidiaries to, conduct the operations of the Business in the ordinary course consistent with past practice and shall use commercially reasonable efforts to: (i) preserve intact the present business organization of the Business, (ii) maintain in effect all Legal Permits, (iii) keep available the services of the key employees of the Business and (iv) maintain satisfactory relationships with the customers, lenders, suppliers, licensors and others having material business relationships with the Business and continue to make capital expenditures consistent with the Capex Budget. Without limiting the generality of the foregoing, prior to the Closing, no Seller shall, nor permit any of its Subsidiaries to, with respect to the Business, without the prior written consent of the Buyer:

(i) sell, assign, transfer, lease, license or otherwise dispose of any portion of the assets of the Business in a single transaction or series of related transactions (including by merger or consolidation), except for sales of inventory or obsolete equipment and licenses in the ordinary course of business consistent with past practice;

(ii) grant any rights to severance benefits, "stay pay" or termination pay to any Employee or increase any amount of compensation or other benefits payable or potentially payable to any Employee, in each case, other than grants or increases in the ordinary course and consistent with the past practice of the Business;

(iii) make any capital expenditures or commitments therefor, except in accordance with the Capex Budget;

(iv) acquire any business, whether by merger, stock purchase or asset purchase;

(v) create or suffer to incur any Security Interest on any material Acquired Asset;

(vi) enter into any employment, compensation or deferred compensation agreement (or any amendment to any such existing agreement) with any Employee, other than (x) offer letters to employees whose annual base salary is less than $150,000 in the ordinary course of business, (y) to comply with Applicable Law or (z) the matters expressly contemplated by Article IX hereof and the Retention Benefits Letter;

(vii) engage in (x) any trade loading practices or any other promotional sales or discount activity with any customers or distributors with any intent of accelerating to the period prior to Closing sales to the trade or otherwise that would otherwise reasonably be expected to occur in the period after Closing or (y) any other promotional sales or discount activity, in each case, in a manner outside the ordinary course of business;

(viii) fail to maintain any sales incentive plans and programs and sales quotas or incentives for Products, in each case, in the ordinary course of business consistent with past practice;

(ix) enter into any agreement that contains any provision (v) restricting any Seller or any of its Subsidiaries from competing in any line of business or with any Person or in any area or engaging in any activity or business (including with respect to the development, manufacture, marketing or distribution of their respective products or services), or pursuant to which any Seller or any of its Subsidiaries has agreed to refrain from granting license rights to any other Person under any Transferred Intellectual Property Rights, or pursuant to which any benefit or right is required to be given or lost as a result of so competing or engaging, (w) granting any material exclusive license, supply or distribution agreement or other exclusive rights, (x) granting any material "most favored nation", rights of first refusal, rights of first negotiation or similar rights with respect to any product, service or Intellectual Property Right, (y) requiring the purchase of all or substantially all or a given portion of the Business' requirements from a given third party which is material to the Business or (z) which by its terms would have any of the foregoing effects on an assignee of such agreement solely as a result of the assignment;

(x) amend, terminate, cancel, or compromise any material claims relating to the Business, or waive any right that is material to the Business;

(xi) commence, settle, or offer or propose to settle, (A) any material litigation, investigation, arbitration, proceeding or other claim relating specifically to or against the Business (or which, if determined adversely to any Seller would otherwise have a Business Material Adverse Effect) or (B) any litigation, arbitration, proceeding or dispute that relates to the transactions contemplated hereby (other than to enforce this Agreement);

(xii) take any action for the purpose of preventing, delaying or impeding the consummation of the transactions contemplated by this Agreement; or

(xiii) agree in writing or otherwise to take any of the foregoing actions.

(b) Notwithstanding the limitations set forth in paragraph (a) above, each Seller shall be permitted to (i) accept capital contributions and loans from any Seller or any of such Seller's Affiliates and (ii) use any and all cash, cash equivalents and other short term liquid investments of the Business to make dividends, distributions or other payments to any Seller or any of such Seller's Affiliates, in the case of each of clauses (i) and (ii) above, in the ordinary course of business consistent with past practice.

4.4 Access.

(a) Each Seller shall and shall cause its Subsidiaries to, (i) permit Buyer and its Representatives to have access (at reasonable times, on reasonable prior written notice and in a manner so as not to interfere with the normal business operations of the Business) to the premises, properties, financial and accounting records, contracts, and other records and documents, of or pertaining to the Business, (ii) furnish to Buyer and its Representatives such financial and operating data and other information relating to the Business as such Persons may reasonably request and (iii) instruct the employees, counsel, financial advisors and other Representatives of the Sellers and its Subsidiaries to cooperate with Buyer in its investigation of the Business. Notwithstanding the foregoing, none of the Sellers shall be obligated to provide any information, documents or access that would (i) violate the provisions of any Applicable Law (including without limitation those relating to security clearance, data protection or export controls) or any confidentiality agreement to which it is a party or (ii) cause the loss of the attorney-client privilege with respect thereto. Prior to the Closing, the Buyer and its Representatives shall not contact or communicate with the customers of any Seller in connection with the transactions contemplated by this Agreement except with the prior consent of the applicable Seller, not to be unreasonably withheld; provided, that such prior consent shall not be required if the Buyer is accompanied by an authorized representative of the Sellers in connection with such contact or communication.

(b) The Buyer and the Sellers acknowledge and agree that the Confidentiality Agreement shall remain in full force and effect and that information provided by any Seller or any of such Seller's Affiliates to the Buyer pursuant to this Agreement prior to the Closing shall be treated in accordance with the Confidentiality Agreement. If this Agreement is terminated prior to the Closing, the Confidentiality Agreement shall remain in full force and effect in accordance with its terms. If the Closing occurs, the Confidentiality Agreement, insofar as it covers information relating to the Business, shall terminate effective as of the Closing, but shall remain in effect insofar as it covers other information disclosed thereunder.

(c) Notwithstanding any provision of this Agreement to the contrary, the Buyer and its Representatives shall not have any access at any time prior to the Closing to any information of the Sellers directly related to pending or proposed bids for new contracts or subcontracts with any existing or potential customer where the Buyer or an Affiliate of the Buyer also has submitted or intends to submit a bid for such contract or subcontract.

4.5 Exclusivity. Each Seller shall not, and shall cause its Affiliates and each of their respective Representatives not to, directly or indirectly, (i) initiate, solicit or encourage any proposal, offer or discussion with, or pursue any unsolicited offers from, any Person or group of Persons (other than the Buyer and its Representatives) concerning any merger, business combination, reorganization, spin-off, sale of stock or sale of assets (other than sales of assets expressly permitted by this Agreement in the ordinary course of business) involving the Business or the Acquired Assets (other than as part of a sale of the Parent substantially in its entirety) (referred to herein as a “Third Party Acquisition”) or (ii) engage in discussions or negotiations with any party (other than the Buyer) concerning any Third Party Acquisition. Each Seller shall, and will cause its Affiliates and each of their respective Representatives to, immediately terminate any existing activities, discussions or negotiations conducted heretofore with respect to any Third Party Acquisition. If any Seller or any of its Affiliates or any of their respective Representatives becomes aware of any inquiry, request, proposal or offer by another person or entity with respect to any Third Party Acquisition or breach of the obligations set forth in this letter agreement, the Sellers shall promptly, and in any event within 24 hours, notify the Buyer of any such inquiry, request, proposal or offer, identifying the Person or group making, and the terms and conditions of, any such inquiry, request, proposal or offer.

4.6 Assistance. From and after the date of this Agreement, Seller shall use commercially reasonable efforts to assist Buyer in negotiating new license agreements in respect of the conduct of the Business by Buyer after the Closing with the third party licensors listed in Section 4.6 of the Disclosure Schedule (the “New License Agreements”), and, as described in Section 4.6 of the Disclosure Schedule, Buyer shall use commercially reasonable efforts to obtain the New License Agreements.

4.7 Services under Transition Services Agreement. From and after the date of this Agreement and prior to the Closing, the Buyer shall be permitted to eliminate any particular service contemplated to be provided by the Parent to the Buyer under the Transition Services Agreement upon prior written notice to the Parent, such that the Buyer shall have no obligation to utilize or reimburse the Parent for such eliminated service.

## ARTICLE V
## CONDITIONS PRECEDENT TO CLOSING

5.1 Conditions to Obligations of the Buyer. The obligation of the Buyer to consummate the transactions to be consummated at the Closing is subject to the satisfaction (or waiver by the Buyer) of the following conditions:

(a) the representations and warranties of the Sellers set forth in Article II shall be true and correct when made and as of the Closing Date as if made as of the Closing Date, except (i) for those representations and warranties that address matters only as of a particular date (which shall be true and correct as of such date, subject to clause (ii) below) and (ii) where the failure of the representations and warranties to be true and correct would not reasonably be expected, individually or in the aggregate, to result in a Business Material Adverse Effect (it being agreed that all materiality or Business Material Adverse Effect qualifications in the representations and warranties shall be disregarded in determining whether any such failure would reasonably be expected to result in a Business Material Adverse Effect for purposes of this clause (ii));

(b) each Seller shall have performed or complied in all material respects with the agreements and covenants required to be performed or complied with by it under this Agreement as of or prior to the Closing;

(c) (i) no provision of any Applicable Law shall prohibit consummation of the transactions contemplated by this Agreement or subject the Buyer, solely by reason of the consummation of the transactions contemplated by this Agreement, to any penalty or other condition that would reasonably be expected to have a Business Material Adverse Effect, (ii) no action, suit or proceeding shall be pending by or before any Governmental Entity seeking to prevent consummation of the transactions contemplated by this Agreement and (iii) no judgment, order, decree, stipulation or injunction enjoining or preventing the consummation of the transactions contemplated by this Agreement shall be in effect;

(d) the Parent shall have delivered to the Buyer the Parent Certificate;

(e) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act (if any) and the applicable foreign antitrust or trade regulation laws of the countries identified in Section 5.1(e) of the Disclosure Schedule shall have expired or otherwise been terminated, and all approvals of any Governmental Entity identified in Section 5.1(e) of the Disclosure Schedule with respect to any such laws shall have been obtained;

(f) all Third Party Consents listed in Section 5.1(f) of the Disclosure Schedule shall have been obtained or effected and shall remain in full force and effect;

(g) the United States Government shall have (i) completed its national security review and, if necessary, investigation, under Exon-Florio and (ii) concluded that no action to suspend or prohibit the transactions contemplated hereby is warranted;

(h) [Intentionally omitted];

(i) the Buyer shall have obtained all necessary Taiwanese governmental approvals identified in Section 5.1(i) of the Disclosure Schedule, with respect to the consummation of the transactions contemplated by this Agreement;

(j) all Legal Permits required to carry on the Business as now conducted shall have been transferred to or otherwise obtained by Buyer on or before the Closing Date, with only such exceptions as would not reasonably be expected, individually or in the aggregate, to have a Business Material Adverse Effect;

(k) the Buyer shall have received such other customary certificates (such as certificates of good standing of the Sellers in their jurisdictions of incorporation and certificates as to the incumbency of officers, the adoption of authorizing resolutions and the due execution and delivery of this Agreement and the Ancillary Agreements) as it shall reasonably request in connection with the Closing;

(l) all of the New License Agreements shall have been executed and shall remain in full force and effect, conditioned only upon consummation of the Closing; and

(m) the offers to the Employees as described in Section 5.1(m) of the Disclosure Schedule shall have been accepted and such acceptances shall remain in full force and effect, and the Employees accepting such offers (or whose employment is otherwise transferred) shall not have given notice of any termination of their employment (or, in the case of EU Business Employees, such EU Business Employees shall remain employees of the applicable Seller and shall not have provided written notice under Applicable Law such that he or she shall not remain an employee of the Buyer (or any of its Affiliates) after the Closing).

5.2 Conditions to Obligations of the Sellers. The obligation of the Sellers to consummate the transactions to be consummated at the Closing is subject to the satisfaction (or waiver by the Sellers) of the following conditions:

(a) the representations and warranties of the Buyer set forth in Article III shall be true and correct when made and as of the Closing Date as if made as of the Closing Date, except (i) for those representations and warranties that address matters only as of a particular date (which shall be true and correct as of such date, subject to clause (ii) below) and (ii) where the failure of the representations and warranties to be true and correct would not reasonably be expected to result in a Buyer Material Adverse Effect (it being agreed that all materiality or Buyer Material Adverse Effect qualifications in the representations and warranties shall be disregarded in determining whether any such failure would reasonably be expected to result in a Buyer Material Adverse Effect for purposes of this clause (ii));

(b) the Buyer shall have performed or complied in all material respects with its agreements and covenants required to be performed or complied with by it under this Agreement as of or prior to the Closing;

(c) (i) no provision of any Applicable Law shall prohibit consummation of the transactions contemplated by this Agreement or subject the Sellers, solely by reason of the consummation of the transactions contemplated by this Agreement, to any penalty or other condition that would reasonably be expected, individually or in the aggregate, to result in a material adverse effect on the business, financial condition or results of operations of the Sellers, (ii) no action, suit or proceeding shall be pending by or before any Governmental Entity seeking to prevent consummation of the transactions contemplated by this Agreement and (iii) no judgment, order, decree, stipulation or injunction enjoining or preventing consummation of the transactions contemplated by this Agreement shall be in effect;

(d) the Buyer shall have delivered to the Parent the Buyer Certificate;

(e) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act, if any, and any applicable foreign antitrust or trade regulation laws shall have expired or otherwise been terminated, and all approvals of any Governmental Entity with respect to any such laws shall have been obtained;

(f) the United States Government shall have (i) completed its national security review and, if necessary, investigation, under Exon-Florio and (ii) concluded that no action to suspend or prohibit the transactions contemplated hereby is warranted;

(g) the Buyer shall have obtained all necessary Taiwanese governmental approvals, including without limitation approvals from the Securities and Futures Bureau, Central Bank of the Republic of China (Taiwan) and Investment Commission of the Ministry of Economic Affairs, with respect to the consummation of the transactions contemplated by this Agreement; and

(h) the Parent shall have received such other customary certificates (such as a certificate of good standing of the Buyer in its jurisdiction of incorporation and certificates as to the incumbency of officers and the adoption of authorizing resolutions and the due execution and delivery of this Agreement and the Ancillary Agreements) as it shall reasonably request in connection with the Closing.

## ARTICLE VI
## INDEMNIFICATION

6.1 Indemnification by the Parent. Subject to the terms and conditions of this Article VI, from and after the Closing, the Parent shall indemnify the Buyer and its Affiliates and its and their respective, officers, directors, employees, agents and representatives (each, a "Buyer Indemnified Party") in respect of, and hold each of them harmless against, any and all Damages incurred or suffered by any such Buyer Indemnified Party resulting from or constituting:

(a) any breach of a representation or warranty of the Sellers (determined, other than with respect to (i) the first sentence of Section 2.5 or (ii) Section 2.9(a)(xi), without regard to any qualification or exception contained therein relating to materiality or Business Material Adverse Effect or any similar qualification or standard) contained in this Agreement or the Parent Certificate;

(b) any failure by any Seller to perform any covenant or agreement contained in this Agreement, the Retention Benefits Letter or any Ancillary Agreement (other than the License Agreement);

(c) the matters described in Section 6.1(c) of the Disclosure Schedule;

(d) claims by any EU Employee, or any representative of an EU Employee, arising out of or in connection with (x) the employment of any of the EU Employees at any time prior to the Closing by the Sellers or their Affiliates, (y) the termination of the employment prior to the Closing of any person who was formerly assigned to the Business, unless such termination was effected at the request of the Buyer or one of its Affiliates or occurred for any of the reasons set out in Section 6.2(d) any failure by the Sellers to comply with their obligations to inform and/or consult with EU Employees or their representatives in relation to the transfer pursuant to this Section unless such failure was caused or substantially contributed to by the Buyer or relevant Affiliate of the Buyer failing to comply with its legal duty to provide information to the Sellers or relevant Affiliate of Sellers in good time for the purposes of informing and/or consulting with EU Employees or their representatives prior to the Closing Date; and

(e) any Excluded Liabilities.

6.2 Indemnification by the Buyer. Subject to the terms and conditions of this Article VI, from and after the Closing, the Buyer shall indemnify each Seller and its Affiliates, and its and their respective officers, directors, employees, agents and Representatives (each, a "Seller Indemnified Party") in respect of, and hold each of them harmless against, any and all Damages incurred or suffered by such Seller Indemnified Party resulting from or constituting:

(a) any breach of a representation or warranty of the Buyer (determined without regard to any qualification or exception contained therein relating to materiality or any similar qualification or standard) contained in this Agreement or the Buyer Certificate;

(b) any failure by the Buyer to perform any covenant or agreement contained in this Agreement, the Retention Benefits Letter or any Ancillary Agreement (other than the License Agreement);

(c) the use by the Buyer or its Affiliates of the Retained Marks;

(d) claims by any EU Employee, or any representative of an EU Employee, arising out of or in connection with any violation by the Buyer of any Applicable Law arising after the Closing; and

(i) any changes to such EU Employee's terms of employment, location, or engagement, or working conditions, proposed by the Buyer or relevant affiliate of the Buyer;

(ii) the identity of the Buyer or relevant Affiliate of the Buyer;

(iii) any refusal by the Buyer or relevant Affiliate of the Buyer to employ an EU Business Employee who would otherwise have transferred to the Buyer or relevant Affiliate of the Buyer by operation of Applicable Law, and any requirement of the Buyer or relevant Affiliate of the Buyer that Sellers or relevant Affiliate terminate the employment of such EU Business Employee prior to Closing; and

(iv) any failure by the Buyer or relevant Affiliate of the Buyer prior to Closing to supply Sellers or any Affiliate in good time with information required to be provided by the Buyer or relevant Affiliate of the Buyer under Applicable Law, including in particular, any information required for the purposes of the Sellers or any Affiliate information or consulting with EU Employees or their representatives, prior to Closing; and

(e) any Assumed Liabilities.

This Section 6.2 shall not entitle any Seller Indemnified Party who is an individual the right to avail himself or herself of the provisions of this Article VI to assert any right to receive any compensation or benefits from the Buyer pursuant to the Retention Benefits Letter or Article IX of this Agreement.

6.3 Claims for Indemnification.

(a) Third-Party Claims. All claims for indemnification made under this Agreement resulting from, related to or arising out of a third-party claim against an Indemnified Party shall be made in accordance with the following procedures. An Indemnified Party shall give prompt written notification to the Indemnifying Party of the commencement of any action, suit or proceeding relating to a third-party claim for which indemnification may be sought (it being understood that a party's entitlement to submit claims for indemnification shall be determined without regard to the limitations set forth in Section 6.5) or, if earlier, upon the assertion of any such claim by a third party. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially prejudiced the Indemnifying Party. Such notification shall include a description in reasonable detail (to the extent known by the Indemnified Party) of the facts constituting the basis for such third-party claim and the amount of the Damages claimed, if known or reasonably capable of being estimated. Within 30 days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such action, suit, proceeding or claim with counsel reasonably satisfactory to the Indemnified Party; provided, that (x) the amount for which the Indemnifying Party is liable pursuant to Section 6.1 or Section 6.2 (taking into account limitations set forth in this Article VI) is no less than the harm suffered by the Indemnified Party as a result of such third-party claim, including any injunctive, equitable or other non-monetary relief sought by such third party, and (y) the Indemnifying Party shall acknowledge in writing its obligation to indemnify the Indemnified Party for any Damages relating to such third-party claim (subject to the limitations on indemnification set forth in this Article VI). Notwithstanding the foregoing, Buyer under all circumstances shall have the right to assume control of the defense of any action, suit, proceeding or claim giving rise to an indemnification claim under Section 6.1(c). If the Indemnifying Party does not assume control of such defense, the Indemnified Party shall control such defense. The Party not controlling such defense may participate therein and employ separate counsel of its choice for such purpose at its own expense; provided, that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes, based on advice from counsel, that the Indemnifying Party and the Indemnified Party have conflicting interests with respect to such action, suit, proceeding or claim, the reasonable fees and expenses of counsel to the Indemnified Party in connection therewith shall be considered "Damages" for purposes of this Agreement; provided, however, that in no event shall the Indemnifying Party be responsible for the fees and expenses of more than one counsel for all Indemnified Parties. The Party controlling such defense (i) shall pay all the costs of such defense (including attorneys' fees), provided, that if the Indemnified Party is the controlling Party, then such costs shall be considered Damages arising out of such third-party claim for purposes of Section 6.1, (ii) shall obtain the prior written consent of the other Party before entering into any settlement of such action, suit, proceeding or claim (which shall not be unreasonably withheld or delayed), and (iii) shall keep the other Party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider recommendations made by the other Party with respect thereto. The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party, which consent shall not unreasonably be withheld or delayed. The Indemnifying Party shall not consent to the entry of any judgment or agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnified Party unless (i) the Indemnifying Party agrees in writing to pay any amounts payable pursuant to such judgment or settlement and such third-party claim and (ii) such judgment or settlement includes as an unconditional term thereof the giving by each claimant or plaintiff to each Indemnified Party of an express, complete and unconditional release from all liability in respect to such claim and imposes no liability or obligation, and has no other adverse effect on the Indemnified Party.

(b) Procedure for Claims. Subject to Section 6.3(a), an Indemnified Party wishing to assert a claim for indemnification under this Article VI shall deliver to the Indemnifying Party a Claim Notice. Within 30 days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a written response in which the Indemnifying Party shall: (I) agree that the Indemnified Party is entitled to receive all of the Claimed Amount (in which case such response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Claimed Amount, by check or by wire transfer), (II) agree that the Indemnified Party is entitled to receive the Agreed Amount (in which case such response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Agreed Amount, by check or by wire transfer), or (III) contest that the Indemnified Party is entitled to receive any of the Claimed Amount. If the Indemnifying Party in such response contests the payment of all or part of the Claimed Amount, the Indemnifying Party and the Indemnified Party shall use good faith efforts to resolve such dispute. If such dispute is not resolved within 60 days following the delivery by the Indemnifying Party of such response, the Indemnifying Party and the Indemnified Party shall each have the right to submit such dispute to arbitration in accordance with the provisions of Section 12.11.

(c) Notwithstanding the foregoing, this Section 6.3 shall not apply to any claims relating to Taxes, which shall be governed solely by Section 7.2.

6.4 Survival.

(a) The representations and warranties of the Sellers and the Buyer set forth in this Agreement, the Parent Certificate and the Buyer Certificate shall survive the Closing and the consummation of the transactions contemplated hereby and continue until the second (2nd) anniversary of the Closing, at which time they shall expire. Notwithstanding the foregoing, (i) the representations and warranties of the Sellers contained in Sections 2.1, 2.2 and 2.21 and of the Buyer contained in Sections 3.1 and 3.2 shall survive the Closing and the consummation of the transactions contemplated hereby indefinitely or until the latest date permitted by law, (ii) the representations and warranties of the Sellers contained in Section 2.10 and Section 2.14 shall survive until the fifth (5th) anniversary of the Closing Date, (iii) the representations and warranties of the Sellers contained in Section 2.8 shall survive until the third (3rd) anniversary of the Closing Date, and (iv) the representations and warranties of the Sellers contained in Section 7.4 shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof). The covenants and agreements of the parties hereto contained in this Agreement shall survive the Closing indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely or until the latest date permitted by law.

(b) Notwithstanding the foregoing, if an indemnification claim is properly asserted in writing pursuant to Section 6.3 prior to the expiration as provided in Section 6.4(a) of the representation or warranty that is the basis for such claim, then such representation or warranty shall survive until, but only for the purpose of, the resolution of such claim.

6.5 Limitations.

(a) Notwithstanding anything to the contrary contained in this Agreement, the following limitations shall apply to indemnification claims under this Agreement:

(i) no individual claim (or series of related claims) for indemnification under Section 6.1(a) or 6.2(a) shall be valid and assertable unless it is (or they are) for an amount in excess of $100,000;

(ii) the Parent shall be liable with respect to claims under Sections 6.1(a) and 6.1(c) (other than, and without giving effect to, claims with respect to any breach of representation or warranty of the Sellers contained in Sections 2.1, 2.2, 2.10, 2.14 or 2.21 or Article VII) for only that portion of the aggregate Damages related to such claims, considered together, which exceeds an amount equal to 0.75% of the Purchase Price; and

(iii) the aggregate liability of the Parent with respect to all claims under Sections 6.1(a) and 6.1(c) (other than claims with respect to any breach of representation or warranty of the Sellers contained in Sections 2.1, 2.2, 2.10, 2.14 or 2.21 or Article VII) shall not exceed an amount equal to twenty-five percent (25%) of the Purchase Price.

(b) In no event shall any Indemnifying Party be responsible or liable for any Damages or other amounts under this Agreement that are consequential, in the nature of lost profits, diminution in the value of property, special or punitive or otherwise not direct damages (it being agreed, however, that any Damages constituting amounts payable by an Indemnified Party to a third person shall be deemed to be direct damages notwithstanding that the same may be characterized otherwise between the Indemnified Party and such third person). Each Party shall (and shall cause its Affiliates to) use commercially reasonable efforts to pursue all legal rights and remedies available in order to minimize the Damages for which indemnification is provided to it under this Article VI.

(c) The amount of Damages recoverable by an Indemnified Party under this Article VI with respect to an indemnity claim shall be reduced by the amount of any payment actually received by such Indemnified Party (or an Affiliate thereof), with respect to the Damages to which such indemnity claim relates, from an insurance carrier. If an Indemnified Party (or an Affiliate) receives any insurance payment in connection with any claim for Damages for which it has already received an indemnification payment from the Indemnifying Party, it shall pay to the Indemnifying Party, within 30 days of receiving such insurance payment, an amount equal to the excess of (A) the amount previously received by the Indemnified Party under this Article VI with respect to such claim plus the amount of the insurance payments received, over (B) the amount of Damages with respect to such claim which the Indemnified Party has become entitled to receive under this Article VI, net of any expenses incurred by such Indemnified Party in collecting such amount.

(d) Except with respect to claims for equitable relief, including specific performance, made with respect to breaches of any covenant or agreement contained in this Agreement or the Ancillary Agreements or claims for fraud, the rights of the Indemnified Parties under this Article VI, Section 1.2(d), the Transition Services Agreement, the Escrow Agreement and the License Agreement shall be the sole and exclusive remedies of the Indemnified Parties and their respective Affiliates with respect to claims covered by Section 6.1 and Section 6.2 or otherwise relating to the transactions that are the subject of this Agreement. Without limiting the generality of the foregoing, in no event shall any Party, its successors or permitted assigns be entitled to claim or seek rescission of the transactions consummated by this Agreement.

6.6 Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Purchase Price.

**ARTICLE VII**
**TAX MATTERS**

7.1 Responsibility for Certain Taxes.

(a) Any real property, personal property, intangible property or other ad valorem Taxes levied with respect to the Acquired Assets for any taxable period that includes but does not end on the Closing Date, whether paid prior to, on or after the Closing Date, shall be apportioned between the Sellers and the Buyer based on the number of days of such taxable period up to and including the Closing Date and the number of days of such taxable period after the Closing Date. The Sellers shall be responsible for and shall pay the proportionate amount of such Taxes that is attributable to the portion of the taxable period ending on the Closing Date, and the Buyer shall be responsible for and pay the proportionate amount of such Taxes that is attributable to the portion of the taxable period beginning after the Closing Date. To the extent that any Seller has, on or prior to the Closing Date, paid any such Taxes, the Buyer shall reimburse the Seller at the Closing for the amount of such Taxes that is allocable to the portion of the taxable period beginning after the Closing Date. If any Seller or the Buyer receives a refund or credit of any such Taxes, that party shall promptly reimburse the other party for its proportionate share of the tax refund or credit.

(b) The Buyer shall pay (or to the extent that any Seller is required to pay the same fully, the Buyer shall reimburse such Seller for) any transfer, sales, use, stamp, conveyance, value added, recording, registration, documentary, filing and other non-income Taxes and administrative fees (including, without limitation, notary fees) arising in connection with the consummation of the transactions contemplated by this Agreement. The Buyer and the Sellers shall cooperate in providing each other with any appropriate resale and exemption certifications and other similar documentation.

7.2 Cooperation on Tax Matters; Tax Proceedings.

(a) The Buyer and the Sellers and their respective Affiliates shall cooperate in the preparation of all Tax Returns, the making of any election relating to Taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any Tax, for any Tax periods for which one Party could reasonably require the assistance of the other Party in obtaining any necessary information. The Buyer and the Sellers and their respective Affiliates shall make their respective employees and facilities available on a mutually convenient basis to explain any documents or information provided hereunder.

(b) The Sellers shall have the right, at their own expense, to control any Tax audit, initiate any claim for refund, contest, resolve and defend against any assessment, notice of deficiency, or other adjustment or proposed adjustment relating to (i) any Taxes or Tax Returns of any Seller, and (ii) to the extent not covered by clause (i), Taxes for any taxable period ending on or before the Closing Date relating to the Business or the Acquired Assets; provided, that with respect to any item the adjustment of which may have an adverse effect on the Buyer, the Business or the Acquired Assets, the Sellers shall consult with the Buyer with respect to the resolution of such issue and not settle any such issue, or file any amended Tax Return relating to such issue, without the prior written consent of the Buyer, which consent shall not be unreasonably withheld. The Buyer shall have the right, at its own expense, to control any other Tax audit, initiate any other claim for refund, and contest, resolve and defend against any other assessment, notice of deficiency, or other adjustment or proposed adjustment relating to Taxes with respect to the Business; provided, that with respect to any item the adjustment of which may cause any Seller to become obligated to make any payment hereunder or otherwise adversely affect any Seller, the Buyer shall consult with the Sellers with respect to the resolution of such issue and not settle any such issue, or file any amended Tax Return relating to such issue, without the prior written consent of the Sellers, which consent shall not unreasonably be withheld.

(c) Taxes described in Section 7.1(a) and Section 7.1(b) that are due after the Closing Date shall be timely paid, and all applicable Tax Returns shall be filed, as provided by Applicable Law. The paying party shall be entitled to reimbursement from the non-paying party in accordance with Section 7.1(a) or Section 7.1(b), as the case may be. Upon payment of any such Tax, the paying party shall present a statement to the non-paying party setting forth the amount of reimbursement to which the paying party is entitled under Section 7.1(a) or Section 7.1(b), as the case may be, together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. The non-paying party shall make such reimbursement promptly but in no event later than 10 days after the presentation of such statement. Any payment not made within such time shall bear interest at the Prime Rate as published in the *Wall Street Journal*, Eastern Edition for each day until paid.

7.3 Scope of Article VII. Any claim by any Party relating to a breach by another Party of its obligations under this Article VII shall be subject to the terms and conditions, set forth in Article VI. Notwithstanding the foregoing or any term or condition of Article VI, to the extent there is any inconsistency between the terms of Article VI and this Article VII with respect to the allocation of responsibility between the Sellers and the Buyer for Taxes relating to the Business or the Acquired Assets, or with respect to the conduct of any Tax audit, proceeding or refund claim, the provisions of this Article VII shall govern.

7.4 Tax Representations. The Sellers jointly and severally represent and warrant to the Buyer as of the date hereof and as of the Closing Date that the Sellers have timely paid all Taxes, the non-payment of which would result in a Lien on any Acquired Asset, would otherwise adversely affect the Business or would result in the Buyer becoming liable or responsible therefor.

## ARTICLE VIII
## TERMINATION

8.1 Termination of Agreement. The Parties may terminate this Agreement prior to the Closing as provided below:

(a) the Parties may terminate this Agreement by mutual written consent;

(b) the Buyer may terminate this Agreement by giving written notice to the Parent in the event any Seller is in material breach, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in Section 5.1(a) or Section 5.1(b) not to be satisfied and (ii) is not cured within 30 days following delivery by the Buyer to the Parent of written notice of such breach;

(c) the Parent may terminate this Agreement on behalf of the Sellers by giving written notice to the Buyer in the event the Buyer is in breach of any representation, warranty, covenant or agreement contained in this Agreement, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in Section 5.2(a) or Section 5.2(b) not to be satisfied and (ii) is not cured within 30 days following delivery by the Parent to the Buyer of written notice of such breach;

(d) the Buyer may terminate this Agreement by giving written notice to the Parent if the Closing shall not have occurred on or before February 29, 2008 by reason of the failure of any condition precedent under Section 5.1 (unless the failure results exclusively from a breach by the Buyer of any representation, warranty, covenant or agreement contained in this Agreement); and

(e) the Parent may terminate this Agreement on behalf of the Sellers by giving written notice to the Buyer if the Closing shall not have occurred on or before February 29, 2008 by reason of the failure of any condition precedent under Section 5.2 (unless the failure results exclusively from a breach by any Seller of any representation, warranty, covenant or agreement contained in this Agreement).

Prior to any termination of this Agreement by the Buyer pursuant to this Section 8.1 arising on account of an event or circumstance constituting a Business Material Adverse Effect, the Buyer and Parent agree to discuss in good faith a reasonable adjustment to the Purchase Price on account of such event or circumstance.

8.2 Effect of Termination. If any Party terminates this Agreement pursuant to Section 8.1, all obligations of the Parties hereunder shall terminate without any liability of any Party to the other Parties. Notwithstanding the foregoing, termination of this Agreement shall not relieve any Party for (i) any breach by such Party, prior to the termination of this Agreement, of any covenant or agreement (but not any representation or warranty) contained in this Agreement, (ii) willful failure of such Party to fulfill a condition to the performance of the obligations of the other Party or (iii) willful breach by such Party of any representation or warranty or agreement contained herein, or impair the right of any Party to obtain such remedies as may be available to it in law or equity with respect to such breach or failure by any other Party. The provisions of Article XII and Section 4.4(b) shall survive any termination hereof pursuant to Section 8.1.

## ARTICLE IX
## EMPLOYEE MATTERS

9.1 Covenants Regarding Continuing Employees and Continuing Contractors. Employment Offers to U.S. Employees and Offers to All Contractors. As soon as reasonably practicable following the date of this Agreement and in the case of Contractors, at least thirty (30) days prior to the Closing, Buyer shall make offers of employment to all U.S. Employees listed in Section 2.12(a) of the Disclosure Schedule, and offers of engagement to all Contractors listed in Section 9.1(a) of the Disclosure Schedule. An offer of employment to each such U.S. Employee or offer of engagement to each such Contractor (collectively, the "U.S. Offers") shall provide for (i) substantially comparable base salary (or, in the case of commissioned sales people, a substantially comparable commission structure) and severance for a period of not less than three (3) years after the Closing (or until such Continuing Employee's employment or such Continuing Contractor's engagement earlier terminates) and (ii) substantially comparable profit-sharing bonus potential (as a percentage of base salary), benefits (other than defined benefits for which comparable benefits, including other retirement benefits, will, in the aggregate, be substituted, and other than equity compensation for which equity-like compensation or equity compensation will be substituted), location, job grade and job shift, each for a period of not less than 18 months after the Closing (or until such Continuing Employee's employment or such Continuing Contractor's engagement earlier terminates) (the items set forth in clauses (i) and (ii), collectively, including the applicable periods during which the compensation, severance and other benefits are to be provided, the "Comparable Terms"), to those provided to such U.S. Employee or Contractor, as the case may be, by the Sellers, immediately prior to the date hereof. For the purposes of this Agreement, substantially comparable location shall include a place of work not more than 50 miles from such Continuing Employee's principal place of work as of the Closing.

(b) Continuing Employees and Continuing Contractors. On the Closing Date, U.S. Employees and Contractors who become Continuing Employees or Continuing Contractors will be considered to have resigned from their employment or engagement with the applicable Seller or its Affiliate, and Buyer shall immediately following the Closing, either directly or through one of its Affiliates, employ or engage all such Continuing Employees and Continuing Contractors. After the date of this Agreement and to the extent not in violation of Applicable Law, Sellers shall permit Buyer to review files, compensation data, and job information for the Employees. After the date of this Agreement and to the extent not in violation of Applicable Law, Sellers shall permit Buyer to contact and meet with all Employees at Sellers' premises during normal business hours, and Sellers shall cooperate fully with the Buyer in all such respects. Nothing in this Agreement shall change the at-will nature of any Continuing Employee's employment, as applicable.

(c) EU Employees.

(i) The Buyer and Sellers acknowledge and agree that the contracts of employment with respect to the EU Employees listed in Section 2.12(a) of the Disclosure Schedule who become Continuing Employees (the "EU Business Employees") shall not terminate upon Closing. Instead, such contracts of employment shall transfer automatically to Buyer (or relevant Affiliate of Buyer), in accordance with Applicable Law. Except as set out in this Agreement or in Section 9.1(c) of the Disclosure Schedule, all Employment Liabilities arising after the Closing in respect of EU Business Employees who so transfer to Buyer or relevant Affiliate of Buyer, shall from Closing be borne by Buyer or a relevant Affiliate of Buyer. For the avoidance of doubt, all wages, salaries and ongoing employer's tax liabilities and other periodic outgoings in respect of the EU Business Employees which relate to a period (A) after the Closing Date shall be borne or discharged by the Buyer and (B) on or before the Closing Date shall be borne or discharged by the Sellers.

(ii) If, contrary to the expectations of the parties, the contract of employment of any other employee in the EU who is an Employee but not an EU Employee, which the parties expected to transfer automatically to the Buyer or relevant Affiliate of the Buyer by operation of Applicable Law is not so transferred, the Buyer or relevant Affiliate of the Buyer shall make such employee an offer of employment, effective at the Closing, on Comparable Terms, such offer to be made within three (3) Business Days of the Buyer becoming aware of such fact.

(d) Other Non-U.S. Employees. Consistent with Applicable Law and in accordance with any applicable Country-Specific Asset Purchase Agreements or as otherwise expressly agreed by the Buyer and Sellers or its Affiliates, on the Closing Date the Buyer will make offers to all Other Non-U.S. Employees and Other Non-U.S. Contractors (or shall automatically employ in the case of transfers occurring under subparagraph (d)(i)), as listed in Section 2.12(a) and 9.1(d) of the Disclosure Schedule, respectively (the "Non-U.S. Offers"), on Comparable Terms. Notwithstanding anything in this Agreement to the contrary, to the extent the Buyer does not offer fringe benefits on Comparable Terms to Other Non-U.S. Employees and Other Non-U.S. Contractors, Buyer shall offer to such persons the same fringe benefits provided to similarly situated employees or contractors of the Buyer or its Affiliates.

(i) Consistent with Applicable Law and in accordance with any applicable Country-Specific Asset Purchase Agreements or as otherwise expressly agreed by the Buyer and Sellers or its Affiliates, with respect to all Other Non-U.S. Employees and Other Non-U.S. Contractors whose employment may transfer to the Buyer, the Buyer, after obtaining any necessary consents, shall immediately following the Closing, either directly or through one of its Affiliates, employ or engage all such Continuing Employees and Continuing Contractors as set forth in clause (d); provided, that such Comparable Terms shall include for such Other Non-U.S. Employees, (x) the crediting of unused vacation accrued prior to Closing and (y) such adjustments to the Comparable Terms to the extent such adjustments are required by Applicable Law in connection with a transfer of such employment or, consistent with local practice, in order to secure the necessary consents to such transfer. With respect to Continuing Employees in Japan, to the extent required by Applicable Law governing a transfer of employment, the number of vacation days granted to each Continuing Employee will be based on the length of that Continuing Employee's service from his or her original hiring date with the Seller. With respect to Continuing Employees in India, the Continuing Employees will be engaged on Comparable Terms without any interruption of service as a result of the transfer of Assets and the Buyer shall take into account the past service of the Continuing Employee with the Seller for the purpose of computing all employment benefits including accrued vacation or leave salary.

(ii) All Other Non-U.S. Employees and Other Non-U.S. Contractors not covered by subparagraph (d)(i) who accept offers of employment with the Buyer will be considered to have resigned from their employment or contract with Sellers. The Buyer shall immediately following the Closing, either directly or through one of its Affiliates, employ or engage all such Continuing Employees and Continuing Contractors on Comparable Terms (which includes, for the avoidance of doubt, crediting the Continuing Employees with vacation accrued prior to the Closing).

(iii) After the date of this Agreement, Sellers shall (A) permit the Buyer to review Other Non-U.S. Employee and Other Non-U.S. Contractor files (to the extent not in violation of Applicable Law), compensation data, job information and employment files for the Employees and Contractors and (B) promptly provide any additional information about such Employees and Contractors upon the Buyer's reasonable request (in each case to the extent not in violation of Applicable Law) and (C) permit the Buyer to contact and meet with all Other Non-U.S. Employees and Other Non-U.S. Contractors at Sellers' premises during normal business hours, and Sellers shall cooperate fully with the Buyer in all such respects. The Buyer shall be responsible for any liability arising out of its decision to hire or retain, or not hire or not retain, any Other Non-U.S. Employee or Other Non-U.S. Contractor (in each case excluding any notice and severance obligations, other than as required by Applicable Law or as otherwise expressly agreed by the Buyer and Sellers or its Affiliates, on account of Sellers' termination of such Employee or Contractor).

(e) Continuing Indian Employees.

(i) Loans. Promptly after the Closing, the Buyer shall use commercially reasonable efforts to cause repayment to Sellers of all loans taken by Continuing Employees in India (the "Continuing Indian Employees") set forth in Section 9.1(e) of the

Disclosure Schedule, by advancing outstanding amounts to the Continuing Indian Employees to the extent permitted by Applicable Law.

(ii) Special Funds. It is agreed that subject to Applicable Law with respect to the Provident Fund existing for the benefit of the Continuing Indian Employees on the Closing Date, the Buyer shall be substituted for Sellers in respect of the Continuing Indian Employees for all purposes whatsoever relating to the administration or operation of such funds or trusts or in relation to the obligation to make contributions to the said funds or trusts in accordance with the provisions of such funds or trusts as provided in the respective trust deeds or other documents. All the rights, duties, powers and obligations of Sellers relating to the Continuing Indian Employees in relation to such funds or trusts shall become those of the Buyer. Sellers shall make payment of the gratuity to all Continuing Indian Employees who are eligible for such gratuity under the Applicable Law.

(f) Employee Liability Claims.

(i) All costs and disbursements, if any, incurred in connection with the termination by Sellers or any Affiliate of any employment or engagement of any Employee or Contractor (including any Employee who does not accept an offer of employment with the Buyer) or otherwise under the Employee Benefit Plans of Sellers or for acts or omissions prior to the Closing Date, including without limitation any non-compliance by Sellers with statutory benefit systems, except as otherwise expressly provided in this Agreement, shall be borne by the Sellers.

(ii) All costs and disbursements incurred under the Employee Benefit Plans of Buyer or otherwise or for acts or omissions by Buyer on and after the Closing Date in connection with the employment, engagement or termination by the Buyer of any Continuing Employee or Continuing Contractor on or after the Closing Date, including, without limitation, any noncompliance by the Buyer with statutory benefits systems, shall be borne solely by the Buyer.

(g) The Buyer Employee Plans.

(i) Subject to Section 9.1(c), each Continuing Employee will receive credit for purposes of eligibility to participate and vesting of benefits under all Buyer employee benefit plans for years of service with Sellers or any Affiliate prior to the Closing Date, and (B) the Buyer will make all commercially reasonable efforts to cause any and all pre-existing condition limitations, eligibility waiting periods and evidence of insurability requirements under any group pension, health, life, accident or disability plans of the Buyer in which such Continuing Employees and their eligible dependents will participate to be waived and will provide credit for any co-payments and deductibles prior to the Closing Date for purposes of satisfying any applicable deductible, out-of-pocket or similar requirements under any such plans that may apply after the Closing Date.

(ii) Continuing Employees who were U.S. Employees will become 100% vested in their account balances under the Sellers' Investment Partnership (the "401K Plan") as of the Closing Date. The Buyer shall cause a tax qualified defined contribution retirement plan established or maintained by the Buyer (the "Buyer Plan") to accept eligible rollover contributions as defined in Section 402(e)(4) of the Code) from Continuing Employees who were U.S. Employees (and any other Continuing Employee on the U.S. payroll) with respect to any account balance distributed to them on or as of the Closing Date by the 401K Plan. Buyer shall use reasonable efforts to cause rollovers of outstanding loans from Sellers' 401K Plan to the Buyer Plan to be permitted. The distribution and rollovers described herein shall comply with Applicable Law and each party shall make all filings and take any actions required of such party under Applicable Law in connection therewith.

(iii) The Sellers shall and shall cause their applicable Affiliates to take all actions necessary or appropriate so that, effective as of the next business day after the Closing Date (a) the account balances with respect to the plan year in which the Closing Date occurs (whether positive or negative) (the "Transferred Account Balances") under the medical and dependent care flexible spending reimbursement plans under which any such Continuing Employee was participating, as in effect on the day prior to the Closing Date (collectively, the "Seller Flex Plans") and who does not elect to continue benefits in each Seller Flex Plan under COBRA shall be transmitted to and shall apply under one or more comparable plans of the Buyer (collectively, the "Buyer Flex Plans"); and (b) the election levels and coverage levels of the participating Continuing Employees shall be transmitted to and apply under the Buyer Flex Plans in the same manner as under the Seller Flex Plans for the remainder of the plan year of the Buyer Flex Plans and subject to any reimbursements previously made under a Seller Flex Plan in such plan year. Each participating Continuing Employee shall be reimbursed from the Buyer Flex Plans for claims incurred as if he or she had participated in the Buyer Flex Plans since the beginning of the plan year of the Seller Flex Plan in which the Closing Date occurs and which are submitted to the Buyer Flex Plans from and after the Closing Date. As soon as practicable after the Closing Date, and in any event within thirty (30) days after the amount of the Transferred Account Balances is determined, the Sellers shall pay the Buyer in cash the net aggregate amount of the Transferred Account Balances of the Continuing Employees whose balances have been transferred on the Closing Date, if such amount is positive, and the Buyer shall pay the Sellers in cash the net aggregate amount of the Transferred Account Balances of all Continuing Employees whose balances have been transferred on the Closing Date, if such amount is negative.

(iv) The Buyer shall assume all of Sellers' immigration-related obligations (other than those resulting from Sellers' violation of Applicable Law) relating to Continuing Employees who are foreign nationals of the country in which they are working, which shall consist of those arising in connection with filings by the Sellers of Labor Condition Applications, nonimmigrant/immigrant visa petitions, work permit applications or extensions and Applications for Alien Employment (Labor) Certification. Buyer and Seller intend that Buyer (by agreeing to hire the Continuing Employees formerly employed by the Seller, and agreeing, as a sponsoring employer, to assume the immigration-related obligations and liabilities described above) shall be considered the successor in interest to the Seller solely and exclusively for U.S. immigration law purposes, to the extent permitted by Applicable Law.

**ARTICLE X**
**OTHER POST-CLOSING COVENANTS**

10.1 Access to Information; Record Retention; Cooperation.

(a) Access to Information. Subject to compliance with contractual obligations and Applicable Laws and regulations regarding classified information, data protection and security clearance, following the Closing, each Party shall, and shall cause its Subsidiaries to, afford to each other Party and to such Party's authorized accountants, counsel and other designated Representatives during normal business hours in a manner so as to not unreasonably interfere with the conduct of business, (i) reasonable access and duplicating rights to all Information within the possession or control of such Party and (ii) reasonable access to the personnel and auditors of such Party or its Subsidiaries and shall cause such personnel to, and shall use commercially reasonable efforts to cause such auditors to use commercially reasonable efforts to, assist the other Party, in each case, to the extent necessary for any such person in connection with financial reporting and accounting matters, preparing financial statements, preparing and filing of any Tax Returns, prosecuting any claims for refund, defending any Tax claims or assessment, preparing securities law or securities exchange filings, prosecuting, defending or settling any litigation (including any prosecution, litigation or other enforcement of any Patents transferred hereunder), Environmental Matter or insurance claim, performing obligations under this Agreement and the Ancillary Agreements, and all other proper business purposes.

(b) Preparation of Financial Statements.

(i) Without limitation of the provisions of Section 10.1(a), following the Closing, the Buyer shall provide to the Parent all information relating to the Business reasonably required for the Parent to prepare the financial statements of the Parent and its Affiliates. In connection with the preparation of such financial statements, the Buyer shall provide the Parent (and its auditors) with reasonable access to the Business, its financial management and any accountant's work papers, and all financial books, accounts and records relating to the Business.

(ii) Without limitation of the provisions of Section 10.1(a), following the Closing, Parent shall, and cause its Subsidiaries and Representatives to, use commercially reasonable efforts to provide to the Buyer and its Representatives all reasonably available information relating to the Business and the transactions contemplated hereby for the Buyer to prepare such financial statements as may be required for the Buyer to undertake a registered public offering of equity or debt securities (including the preparation by the Buyer of a filing under the U.S. Securities Act of 1933, as amended with respect to any financing and/or periodic reports under the U.S. Securities Exchange Act of 1934, as amended). In connection with the preparation of such financial statements, Parent shall, and cause its Subsidiaries and Representatives to, provide the Buyer (and its auditors) with reasonable access to its financial management and any accountant's work papers, and all financial books, accounts and records relating to the Business.

(c) Reimbursement. A Party making Information or personnel available to another Party under Section 10.1 shall be entitled to receive from such other Party, upon the presentation of invoices therefor, payments for such amounts relating to accounting fees, supplies, disbursements and other out-of-pocket expenses, as may reasonably be incurred in making such Information or personnel available; provided, however, that no such reimbursements shall be required for the general overhead, salary or cost of fringe benefits or similar expenses pertaining to employees of the providing Party.

(d) Retention of Records. Except as may otherwise be required by law or agreed to in writing by the Parties, each Party shall use commercially reasonable efforts to preserve, until six years after the Closing Date, all Information in its possession or control pertaining to the Business prior to the Closing. Notwithstanding the foregoing, in lieu of retaining any specific Information, any Party may offer in writing to the other Party or Parties to deliver such Information to the other Party or Parties, and if such offer is not accepted within 90 days, the offered Information may be disposed of at any time.

(e) Confidentiality.

(i) All Information concerning any Party furnished to any other Party by the other Party or Parties or their Representatives pursuant to this Section 10.1, will be subject to the Confidentiality Agreement, which agreement shall remain in full force and effect and shall survive the Closing (other than with respect to information relating to the Business) or any termination of this Agreement.

(ii) Each Seller will not, and will cause its Affiliates and Representatives not to, for a period of three years after the Closing Date, directly or indirectly, without the prior written consent of the Buyer, disclose to any third party (other than each other and their respective Representatives) any confidential or proprietary information of the Business or included in the Acquired Assets (the "Business Information"); provided, that the foregoing restriction will not (A) apply to any information to the extent (i) generally available to, or known by, the public (other than as a result of disclosure in violation of this Section 10.1(e)) or (ii) independently developed by such Seller or any of its Affiliates (other than by the Business prior to the Closing), (B) prohibit any disclosure permitted by the License Agreement, or (C) prohibit any disclosure required of any Seller, its Affiliates or Representatives (each a "Seller Disclosing Party") by any applicable legal requirement, so long as, to the extent legally permissible, such Seller Disclosing Party provides the Buyer with reasonable prior notice of such disclosure and a reasonable opportunity to seek an appropriate protective order or other remedy or waive compliance with this Section 10.1(e)(ii). In the event that such protective order or other remedy is not obtained, or the Buyer waives compliance with this Section 10.1(e)(ii), such Seller Disclosing Party will furnish only that portion of such Business Information which is legally required to be provided and will exercise its commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Business Information.

10.2 Covenant Not to Compete.

(a) Subject to the Closing, beginning on the Closing Date and ending on the fourth ($4^{th}$) anniversary of the Closing Date, Sellers shall not, and shall cause their respective

Subsidiaries not to, directly or indirectly, without the prior written consent of Buyer, engage in a Competitive Business Activity (as defined below) anywhere in the Restricted Territory (as defined below). For all purposes of and under this Agreement, the term "Competitive Business Activity" shall mean engaging in, managing or directing persons engaged in, activities constituting the Prohibited Field of Use. For all purposes of and under this Agreement, the term "Restricted Territory" shall mean each and every country, province, state, city or other political subdivision of the world, including those in which Sellers and any of their respective Subsidiaries are currently engaged in business or otherwise distributes, licenses or sells any Products, and the term "Prohibited Field of Use" shall mean (i) the development (independently or jointly), manufacturing, marketing, selling, supporting and maintaining of Cellular Semiconductor Products; and (ii) the development (independently or jointly), marketing, selling, supporting and maintaining of protocol stack and related software designed to implement the Applicable Standards on the Sellers' general purpose DSPs and/or general purpose processors. For clarity, (i) the "Prohibited Field of Use" shall not include the design, development, manufacturing, marketing, selling, licensing, supporting and/or maintaining of multi-purpose radio products, general purpose processors, general purpose DSPs, analog components (including power management components), RF components and mixed signal components, together with the intellectual property embedded therein, that are not specially designed by or for Sellers or configured by or for Sellers to perform the normal functions performed by analog baseband and digital baseband circuits to comply with any Applicable Standards ("General Purpose Products"); and (ii) Sellers may continue to sell General Purpose Products to customers that in turn incorporate the same into cellular handsets. The parties further acknowledge and agree that Sellers do not police or restrict the post-sale use by their customers of Sellers' General Purpose Products. For the avoidance of doubt, nothing in this Agreement shall prohibit the Sellers or their Subsidiaries from integrating cellular technology into other products where the primary purpose of such other products is not cellular communications, so long as such cellular technology does not include any Transferred Technology for a period of seven (7) years from the Closing Date. By way of example, the Sellers may add cellular functionality to a System-on-Chip (as defined in the License Agreement) in a digital camera where the primary purpose of the System-on-Chip is not cellular communications.

(b) The parties hereto agree that the duration and area for which the covenant not to compete set forth in this Section 10.2 is to be effective is reasonable. In the event that any court determines that the time period or the area or both of them are unreasonable and such covenant is to that extent unenforceable, the parties hereto agree that the covenant shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The parties hereto agree that damages are an inadequate remedy for any breach of this covenant and that Buyer shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of this covenant.

10.3 [Intentionally omitted.]

10.4 Transition Period for Retained Marks.

(a) Following the Closing, except as otherwise provided herein, Buyer shall have no rights to use any Retained Marks and will not hold itself out as having any affiliations with Sellers.

(b) Notwithstanding the provisions of 10.4(a), Buyer may and the Sellers and their respective Subsidiaries grant to the Buyer and its Subsidiaries a nonexclusive, worldwide, fully-paid and royalty-free license under any rights the Sellers and their respective Subsidiaries may have in the Retained Marks, to:

(i) for a period of twelve months following the Closing Date, utilize data sheets, application notes, user guides, price lists, sales promotional materials, training materials, literature, advertising and other printed material of the Business, to the extent relating to the Products; provided, that in the event any such materials are modified after the Closing Date, such permitted use of the Retained Marks shall be limited to references to specific product names and numbers;

(ii) use the Retained Marks as affixed to Inventory included in the Acquired Assets;

(iii) reproduce and affix the Retained Marks to each of the Products, to the extent such Products are qualified by a customer of the Business prior to the Closing with the Retained Marks, until, with respect to a Product as incorporated by a customer, the earlier of (X) the end of the useful life of the product into which the Product is incorporated, or (Y) the requalification of such product for any reason by or for such customer, but in any event the use of the Retained Marks pursuant to this clause (iii) shall not extend beyond ten years following the Closing Date;

(iv) reproduce and affix the Retained Marks to Products manufactured within a period of twelve months following the Closing Date using the molds in which any Retained Mark is embedded and exists as of the Closing Date;

(v) reproduce and affix, for a period of twelve months following the Closing Date, the Retained Marks on the device packaging (*i.e.*, outer and inner carton) for the Products to the extent such packaging encloses Products on which the Retained Marks are used pursuant to the terms of this Section 10.4(b); and

(vi) disclose to its customers and potential customers that it is conducting the Business as a successor to Sellers from and after the Closing.

(c) The licenses to use the Retained Marks set forth in this Section 10.4 shall not prohibit Sellers or any of their Affiliates from using the Retained Marks (or any similar name or logo) during the term of the respective license or thereafter in any manner, which such Retained Marks are and shall remain the sole property of the Sellers and their Affiliates. Buyer agrees that its use of the Retained Marks shall be substantially consistent with the past practices of the Sellers and their Affiliates in connection with their business and operations and, with respect to such use, Buyer shall adhere to the quality standards to which Sellers and their Affiliates adhered immediately prior to the Closing.

10.5 Use of Retained Marks in Transferred Technology. The Sellers and the Buyer will cooperate and use commercially reasonable efforts to provide to the Buyer for inclusion in its web site, as promptly as practicable following the Closing, all text, images and other content relating exclusively to the Business contained in any web site maintained by the Sellers (or their Affiliates). Subject to the provisions of Section 10.4 hereof, prior to including any such text, images or other content in its web site, the Buyer shall remove all references to the Retained Marks from any such text, images or other content. The Sellers (or their Affiliates) shall retain ownership of all of their domain names, including those employing the name "Analog", and neither the Buyer nor any of its Affiliates shall have any right or license to any such domain name. To the extent the Business utilized any internet protocol address space allocated to the Sellers, such internet protocol address space shall remain the property of the Sellers, and no rights or licenses are granted to the Buyer with respect thereto.

10.6 Payment of Assumed Liabilities or Accounts Receivable. In the event that any Seller (or an Affiliate thereof) inadvertently pays or discharges, after the Closing, any Assumed Liabilities, the Buyer shall reimburse such Seller or Affiliate for the amount so paid or discharged within 30 days of being presented with written evidence of such payment or discharge. Following the Closing, in the event Buyer or any Seller (or their respective Affiliates) receives payment with respect to an account receivable that is owed to the other Party, such party shall promptly (and in any event within 30 days) remit such payment to the other Party.

10.7 Non-solicit.

(a) Subject to the Closing, beginning on the Closing Date and ending on the third (3rd) anniversary of the Closing Date, the Sellers shall not, and shall not permit any of their respective Affiliates to (except as may be approved in advance in writing by the Vice President of Human Resources of the Buyer or other senior executive with responsibility for human resources of the Buyer), (i) directly or indirectly, solicit any Continuing Employees, except pursuant to generalized solicitations by use of advertising or which are not specifically targeted at the Continuing Employees, or (ii) hire any of the Continuing Employees; provided, that the foregoing shall not restrict the solicitation or hiring of any Person who was not employed in the Business or by Buyer or any of its Affiliates for the two-year period prior to such Person's solicitation or hiring; provided, further that the Buyer agrees to reasonably consider any request by the Sellers to hire any Continuing Employees whose employment terminates within such two year period.

(b) Subject to the Closing, beginning on the Closing Date and ending on the first (1st) anniversary of the Closing Date, the Buyer shall not, and shall not permit any of its Affiliates to (except as may be waived in writing by the Vice President of Human Resources of the Parent or other senior executive with responsibility for human resources of the Parent), (i) directly or indirectly, solicit any employees of the Parent or any of its Subsidiaries, except pursuant to generalized solicitations by use of advertising or which are not specifically targeted at the employees of the Parent or any of its Subsidiaries, or (ii) hire any employees of the Parent or any of its Subsidiaries.

10.8 Insurance.

(a) Except as set forth in this Section 10.8, coverage of the Acquired Assets under any insurance policy of any Seller or its Affiliates shall cease as of the Closing Date.

(b) Each Seller shall, and shall cause its Affiliates to, use reasonable efforts to ensure that the Acquired Assets shall, to the extent covered as of the date hereof or the Closing Date, continue to have coverage under each insurance policy in effect with respect thereto at any time prior to the Closing (each, a "Specified Policy") in accordance with the terms and conditions thereof from and after the Closing Date for any loss, liability or damage suffered with respect to any incident or event occurring prior to the Closing.

(c) In the case of any Specified Policy that is a "claims made basis" policy, from the Closing Date until the policy expiration date (including any renewal thereof) of such policy (if later than the Closing Date), and in the case of any Specified Policy that is an "occurrence basis" policy, after the Closing Date, each Seller shall, and shall cause its Affiliates to, use their reasonable efforts to assist Buyer or its Subsidiaries in asserting claims for any loss, liability or damage suffered with respect to any Acquired Assets after the Closing with respect to any incident or event occurring prior to the Closing, to the extent such loss, liability or damage is covered by the terms of such Specified Policy. This Section 10.8(c) shall not affect the Sellers' indemnification obligations pursuant to Article VI.

10.9 Notices of Certain Events. Each of the Sellers and the Buyer shall promptly notify the other party of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any Governmental Entity in connection with the transactions contemplated by this Agreement;

(c) any actions, suits, claims, investigations or proceedings commenced that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to, in the case of the Sellers, Section 2.11 or, in the case of the Buyer, Section 3.4; and

(d) in the case of the Sellers only, and to the knowledge of the Sellers, (i) any customer or supplier that cancels or otherwise terminates, or threatens in writing (other than in connection with negotiations for a new or renewal contract) to cancel or terminate, its relationship with the Business, (ii) any customer or supplier that decreases materially or threatens in writing (other than in connection with negotiations for a new or renewal contract) to decrease or limit materially its business with the Business, in each case whether as a result of the transactions contemplated hereby or otherwise.

10.10 Export Law Compliance. The Buyer acknowledges that the Transferred Technology and Transferred Intellectual Property Rights and all related information and materials (collectively, the "Exported Technology") assigned under this Agreement are subject to governmental restrictions on exports and reexports, disclosures of Exported Technologies to foreign persons, and the importation and/or use of such Exported Technologies outside the

United States (collectively, the "Export Laws"). The Buyer shall comply with all U.S. and foreign Export Laws (including without limitation the Export Administration Regulations of the U.S. Department of Commerce, the International Traffic in Arms Regulations in the U.S. Department of State and the sanctions regulations of the U.S. Department of Treasury).

**ARTICLE XI**
**DEFINITIONS**

For purposes of this Agreement, each of the following terms shall have the meaning set forth below.

"4G" shall have the meaning set forth in the License Agreement.

"Acquired Assets" shall mean all assets, properties and rights of each Seller and its Subsidiaries of every kind, nature, character and description, tangible and intangible, real, personal or mixed, wherever located, existing as of the Closing which are owned, held or utilized primarily in the Business (other than with respect to Transferred Intellectual Property Rights, Transferred Technology and other intangible assets, which are only included in the definition of Acquired Assets to the extent (A) owned by a Seller or any of its Subsidiaries and (B) (i) utilized exclusively in the Business or (ii) specifically identified in Section 1.1(a)(i) or Section 1.1(a)(ii) of the Disclosure Schedule), in each case, by such Seller or any of its Subsidiaries, except for the Excluded Assets, including, without limitation, the following assets, properties and rights, in each case to the extent (A) owned by a Seller or any of its Subsidiaries as of the Closing and (B) (i) utilized primarily or exclusively, as the case may be, in the conduct of the Business or (ii) specifically identified in Section 1.1(a)(i) or Section 1.1(a)(ii) of the Disclosure Schedule:

(a) all raw materials, work in process, finished goods, office supplies, maintenance supplies, spare parts, packaging materials and other inventories (collectively, "Inventory");

(b) all computers, equipment, furniture, furnishings, fixtures, machinery, vehicles, tools and tooling and other tangible personal property and all warranties and guarantees, if any, express or implied, existing for the benefit of a Seller or any of its Subsidiaries in connection therewith to the extent transferable;

(c) the leasehold interests to the Leased Real Property except such Leases that are identified as "Retained Leases" in Section 2.7 of the Disclosure Schedule;

(d) the Assigned Contracts;

(e) all Transferred Intellectual Property Rights and Transferred Technology;

(f) all technical information, know-how, specifications, designs, drawings and processes and quality control data, other confidential business information, including customer lists and vendor lists;

(g) all Legal Permits transferable without consent of any Governmental Entity and such other Legal Permits for which consent to transfer is obtained;

(h) all goods and services and all other economic benefits to be received subsequent to the Closing arising out of prepayments and payments by a Seller or any of its Subsidiaries prior to the Closing;

(i) all Books and Records;

(j) all goodwill;

(k) all claims, causes of action, judgments, reimbursements and demands to the extent relating primarily to any Acquired Assets (subject to Section 1.2(b)); and

(l) all product designs and concepts under development as of the Closing.

"Affiliate" shall have the meaning assigned to it in Rule 12b-2 of the Securities and Exchange Act of 1934.

"Agreed Amount" shall mean part, but not all, of the Claimed Amount.

"Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Ancillary Agreements" shall mean the agreements and instruments referred to in clauses (iii) through (xiii) in Section 1.3(b) of this Agreement.

"Applicable Law" shall mean any law (including common law), statute, directive, protocol, order, rule, regulation, ordinance, by-law, judgment, code or other similar pronouncement or requirement of any Governmental Entity having the effect of law whether supranational or in the United States, any foreign country, or any domestic or foreign state, province, county, city or other political subdivision or of any other Governmental Entity.

"Applicable Standards" shall mean, notwithstanding the definition set forth in the License Agreement, the following 2G and/or 3G cellular telecommunications standards: GSM, GPRS, EDGE, UMTS and HSxPA, and TDS CDMA and any extensions of each of the foregoing (but, for the avoidance of doubt, expressly does not include 4G, future extensions of 4G or other future standards).

"Assigned Contracts" shall mean all contracts, agreements, leases, licenses, commitments, sales and purchase orders and other instruments relating exclusively to the conduct of the Business, together with all contracts specifically listed in Section 2.9(a)(A) and employment contracts with the Continuing Employees identified in Section 2.12(a) of the Disclosure Schedule, if transferable or assignable to the Buyer (or a Buyer Designee) or, if not transferable or assignable, if consent to assignment is obtained.

"Assumed Liabilities" shall mean all Liabilities of the Sellers that arise or accrue following the Closing under the Assigned Contracts, that result from events, conditions or circumstances first existing after the Closing under the Assigned Contracts (other than Liabilities attributable to any failure by any Seller or any of its Subsidiaries to comply with the terms thereof prior to the Closing).

"Books and Records" shall mean all papers, records, accounts, ledgers, files, documents, correspondence, studies, reports and other printed or written materials (in paper or electronic format) in the care, custody or control of the Sellers exclusively relating to the Acquired Assets (other than Books and Records) including, without limitation, to the extent exclusively relating to the Acquired Assets, all purchasing and sales records accounting and financial records, Cellular Semiconductor Product documentation, Product specifications, sales and promotional literature and marketing requirement documents and all information relating to any Tax imposed on the Acquired Assets; provided, however, that "Books and Records" shall not include corporate organizational records, employee files or any other papers or records to the extent that the disclosure thereof to the Buyer as of and after the Closing would be in violation of Applicable Law.

"Business" shall mean the business of product specification, design, development, manufacturing, marketing, selling, supporting and maintaining of Products, and corresponding communications software, as currently conducted and as will be conducted prior to the Closing by the Sellers and their respective Subsidiaries. For the avoidance of doubt, "Business" does not include the group referred to as "Radio Frequency/Limerick", and "Products" do not include the products developed, under development, marketed or sold by Radio Frequency/Limerick (which such products do not include any Cellular Semiconductor Products).

"Business Day" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions located in New York, New York or Taipei, Taiwan are permitted or required by law, executive order or governmental decree to remain closed.

"Business Benefit Plans" shall mean any Employee Benefit Plan maintained, or contributed to, by any Seller, or any Subsidiary or ERISA Affiliate for the benefit of Employees (and their beneficiaries).

"Business Material Adverse Effect" shall mean any change, effect or circumstance that (a) is materially adverse to the business, condition (financial or otherwise), net assets or results of operations of the Business, the Acquired Assets and the Assumed Liabilities, taken as a whole (other than changes, effects or circumstances that are the result of (i) economic factors affecting the economy as a whole or (ii) factors generally affecting the industry or specific markets in which the Business competes, provided, that the changes, effects or circumstances described in clauses (i) and (ii) above shall be disregarded only to the extent that they are not disproportionately adverse to the Business, the Acquired Assets or the Assumed Liabilities (taken as a whole) as compared to other Persons operating in the industries in which the Business operates) or (b) materially impairs or delays the ability of the Sellers and their Subsidiaries to consummate the transactions contemplated by this Agreement; provided, however, that, in the case of clause (a) above, a "Business Material Adverse Effect" shall not include any adverse change, effect or circumstance to the extent that it is attributable to (i) the announcement of this Agreement or the transactions specifically contemplated by this Agreement or (ii) the matters set forth in Section 1.1(e) of the Disclosure Schedule.

"Business Properties" shall mean the Leased Real Properties and any other real property or facility currently owned, leased or operated by any Seller or any of its Subsidiaries in connection with the Business.

"Buyer" shall have the meaning set forth in the first paragraph of this Agreement.

"Buyer Certificate" shall mean a certificate signed by an authorized officer of the Buyer to the effect that each of the conditions specified in clauses (a) through (c) (insofar as clause (c) relates to an action, suit or proceeding involving, or a judgment, order, decree, stipulation or injection against, the Buyer) of Section 5.2 is satisfied.

"Buyer Material Adverse Effect" shall mean a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement.

"Cellular Semiconductor Product" shall mean a System-on-Chip (as defined in the License Agreement) that has, as the primary purpose of the integrated circuit(s), the processing of radio frequency, digital baseband, and analog baseband signals in compliance with one or more of the Applicable Standards, or a set of integrated circuits that work together to process radio frequency, digital baseband, and analog baseband signals in compliance with one or more of the Applicable Standards. For avoidance of doubt, and without limiting the generality of the foregoing, a Cellular Semiconductor Product does not include a base station or other cellular infrastructure products, systems or components.

"Claimed Amount" shall mean the amount of any Damages claimed by an Indemnified Party.

"Claim Notice" shall mean a written notice which contains (i) a description and the Claimed Amount of any Damages incurred or to be incurred by the Indemnified Party, if known (or, if not known, reasonably estimatable), (ii) a statement that the Indemnified Party is entitled to indemnification under Article VI and a reasonable explanation of the basis therefor and (iii) a demand for payment in the amount of such Damages.

"Closing" shall mean the closing of the transactions contemplated by this Agreement.

"Closing Date" shall mean the date on which the Closing actually takes place.

"COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1986.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" shall mean the confidentiality letter agreement dated April 30, 2007 between the Buyer and the Parent.

"Continuing Contractors" shall mean those Contractors who agree to continue and commence continuing to provide services to the Buyer with respect to the Business after the Closing.

"Continuing Employees" shall mean those Employees who accept and commence employment with Buyer in connection with the Closing or whose employment is transferred to the Buyer by operation of Applicable Law or with respect to Other Non-U.S. Employees, as soon as legally permissible after the Closing.

"Contractor" shall mean any person, other than an Employee, listed in Section 2.12(a) of the Disclosure Schedule or any other Person, other than an Employee, who is principally engaged in providing services to the Business on or after the date hereof. Contractors identified by Sellers in Section 2.12(a) of the Disclosure Schedule as principally providing services to the parts of the Business in various locations shall be referred to as such. For example, Contractors principally providing services to the Business in the U.S. shall be referred to as U.S. Contractors.

"Country-Specific Asset Purchase Agreements" shall mean, with respect to the Acquired Assets located in the jurisdictions mutually agreed upon between the Parent and the Buyer, agreements effectuating the sale by the Sellers of such Acquired Assets to the Buyer and the Buyer Designees, in form and substance reasonably satisfactory to the Parties; provided, that any Country-Specific Asset Purchase Agreement with respect to any Acquired Assets in India shall reflect any deferred closing with respect to any such assets pursuant to Section 1.4(b) hereof, such that those provisions of this Agreement relevant to such assets and that portion of the Business prior to the Closing shall continue to apply *mutatis mutandis* (to the extent such terms and conditions are reasonably applicable to the matters contemplated by such Country-Specific Asset Purchase Agreement) until the consummation of such deferred closing.

"Damages" shall mean any and all Liabilities, monetary damages, losses, fines, fees, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses in connection with any action, suit or proceeding whether involving a third party claim or a claim successfully brought by an Indemnified Party solely between the parties hereto).

"Disclosure Schedule" shall mean the disclosure schedule provided by the Sellers to the Buyer on the date hereof.

"Employee" shall mean any employee of the Sellers or their respective Subsidiaries identified by Sellers as devoting at least seventy-five percent (75%) of his or her work time to the Business and listed in Section 2.12(a) of the Disclosure Schedule, holding the positions identified by the Sellers in Section 2.12(a) of the Disclosure Schedule, which support the Business.

"Employee Benefit Plan" shall mean (a) any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), (b) any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and (c) any other written or oral plan, agreement or arrangement involving employment or compensation, including without limitation employment agreements, insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation, or fringe benefits.

"Employment Liabilities" shall mean any and all claims, debts, liabilities, commitments and obligations, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever or however arising, including all costs and expenses relating thereto arising under law, rule, regulation, permit, action or proceeding before any Governmental Entity, order or consent decree or any award of any arbitrator with authority to make awards, in each case relating to any Employee Benefit Plan, employment agreement or otherwise relating to an Employee or former employee, current or former consultant or current or former director of Sellers or an ERISA Affiliate, who has provided services to the Business, and his or her employment or service with (or termination from employment or service with) Sellers or any ERISA Affiliate.

"Environment" shall mean any surface water, ground water, drinking water supply, land surface or subsurface strata, or ambient air.

"Environmental Law" shall mean any Applicable Law as in effect on the Closing Date relating to the Environment or occupational health and safety, including, without limitation, any Applicable Law relating to (a) exposure to or the presence, manufacture, processing, use, treatment, storage, disposal, transportation, handling or generation of pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substances or materials, (b) air, water and noise pollution, (c) groundwater and soil contamination or (d) the Release or threatened Release of pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substances or materials to the Environment.

"Environmental Matters" shall mean any legal obligation or liability arising under Environmental Law.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any entity which is a member of (a) a controlled group of corporations (as defined in Section 414(b) of the Code), (b) a group of trades or businesses under common control (as defined in Section 414(c) of the Code) or (c) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes any Seller.

"Escrow Amount" shall mean U.S. $10,000,000.

"Essential Intellectual Property Rights" shall mean the Intellectual Property Rights that are held to necessarily apply to any commercially feasible implementation of a technical industry standard inclusive of any Applicable Standard.

"EU" shall mean, for purposes of this Agreement, the UK, Ireland, Denmark and Sweden.

"EU Employee" shall mean any Employee who is principally employed in or assigned to those parts of the Business operated in the EU on or after the date hereof. For these purposes, a person who is normally considered to be principally employed outside the EU but who is on expatriate status in the EU for more one (1) year will be considered an EU Employee.

"Excluded Assets" shall mean (a) any asset that is listed in Section 1.1(b)(i) of the Disclosure Schedule, (b) any current assets (including cash and accounts receivable), other than Inventory, (c) any and all Licensed Intellectual Property Rights, (d) any and all Web Properties, (e) any contract or agreement that is not an Assigned Contract, (f) any fixed assets located in the People's Republic of China and (g) any rights to Tax refunds or credits, except to the extent provided in Section 1.2(b), Section 7.1(a) or the Letter Agreement.

"Excluded Liabilities" shall mean all Liabilities of any Seller or any of its Subsidiaries (or any predecessor of any Seller or any of its Subsidiaries or any prior owner of all or part of its respective businesses and assets) of whatever nature, whether presently in existence or arising hereafter, other than the Assumed Liabilities, including the following (to the extent not expressly Assumed Liabilities):

(a) all liabilities to the extent arising from or relating to the operation or conduct by the Sellers or any of their Affiliates of any all businesses now, previously or hereafter conducted by Sellers or any of their Subsidiaries other than the Business;

(b) all Liabilities to the extent arising out of or relating to any Excluded Asset;

(c) all Liabilities and commitments (i) relating to current or former employees or Contractors of any Seller or any of its Subsidiaries other than, in the case of Continuing Employees and Continuing Contractors, those (A) that are expressly assumed by Buyer pursuant to Article IX or (B) for which a specific prepaid asset (*e.g.*, an insurance policy), if any, is sold, conveyed, transferred, assigned or delivered to Buyer, subject to the terms and conditions of the applicable Employee Benefit Plan (in the case of a Liability or commitment relating to an Employee Benefit Plan), (ii) relating to compensation deferred by Continuing Employees or Continuing Contractors prior to the Closing Date, (iii) which come due as a result of the transactions contemplated hereby, including any stay, retention or transaction bonus, and (iv) relating to stock option and other equity-based compensation plans of any Seller or any of its Subsidiaries;

(d) all Indebtedness;

(e) all Liabilities and commitments in respect of Taxes, other than those Liabilities and commitments for which the Buyer is responsible pursuant to Article VII, the License Agreement or the Letter Agreement; and

(f) all Liabilities to the extent arising from or relating to any marketing or sale of any Products prior to the Closing Date.

"Governmental Entity" shall mean any transnational, domestic or foreign federal, state or local, court, arbitrational tribunal, administrative agency or commission or other governmental or regulatory authority or agency.

"Governmental Filings" shall mean all registrations, filings and notices with or to Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement or necessary for Buyer to conduct the Business from and after the Closing in the manner the Business is currently conducted and will be conducted as at the Closing.

"Hart-Scott-Rodino Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" shall mean (i) all obligations for borrowed money, (ii) all obligations evidenced by notes, bonds, debentures or other instruments, (iii) all obligations under any hedging or swap obligation or other similar arrangement, (iv) all reimbursement obligations under letter of credit or similar facilities, (v) all obligations (other than operating leases) secured by a Security Interest on any Acquired Assets, (vi) all guarantees, including guarantees of any items set forth in clauses (i) through (v), and (vii) all outstanding prepayment premiums, if any, and accrued interest, fees and expenses related to any of the items set forth in clauses (i) through (vi).

"Indemnified Party" shall mean the party entitled to indemnification under Article VI of this Agreement.

"Indemnifying Party" shall mean the party from whom indemnification is sought by the Indemnified Party.

"Information" shall mean all non-privileged records, books, contracts, instruments, documents, correspondence, computer data and other data and information relating to the Business.

"Intellectual Property Rights" shall mean any or all of the following and all statutory and/or common law rights throughout the world in, arising out of, or associated therewith: (i) all patents and applications therefor, including without limitation all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof (collectively, "Patents"); (ii) all patentable inventions (whether confidential or not) and the right to seek patent protection therefor, and all confidential information, trade secrets and know-how protected under the laws of any applicable jurisdiction ("Trade Secrets"); (iii) all works of authorship, copyrights, mask works, copyright and mask work registrations and applications and all industrial designs and any registrations and applications therefor ("Copyrights"); (iv) all trade names, logos, trademarks and service marks; trademark and service mark registrations and applications ("Trademarks"); (v) all proprietary rights to databases and data collections; and (vi) any similar, corresponding or equivalent rights to any of the foregoing; (vii) any similar, corresponding or equivalent rights to any of the foregoing; and (viii) all goodwill associated with any of the foregoing.

"Leased Real Property" shall mean all leased real property set forth in Section 2.7 of the Disclosure Schedule.

"Leases" shall mean any lease or sublease pursuant to which any Seller leases or subleases from another party any real property that is used in the Business.

"Legal Permits" shall mean all licenses, permits, franchises, qualifications or other authorizations issued by any Governmental Entity relating to the development, use, maintenance or occupation of the Leased Real Property, the ownership or operation of the Acquired Assets or the Business.

"Letter Agreement" shall mean the letter agreement, dated as of the date hereof, between the Parent and the Buyer that identifies itself as the "Letter Agreement" referred to in this Agreement.

"Liabilities" shall mean any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, known or unknown.

"License Agreement" shall mean a License Agreement between the Sellers and the Buyer in substantially the form attached as Exhibit C.

"Licensed Intellectual Property Rights" shall mean all Intellectual Property Rights licensed to Buyer under the License Agreement subject to the grants and restrictions contained therein.

"Licensed Technology" shall mean all Technology that is licensed to Buyer under the License Agreement.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset.

"Materials of Environmental Concern" shall mean any substance, pollutant, or contaminant, waste, material or chemical, defined, listed or classified or regulated under any Environmental Law, including asbestos, asbestos containing materials, oil, petroleum and petroleum products.

"Measurement Date" shall mean May 5, 2007.

"Multiemployer Plan" shall mean a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA).

"Neutral Accountant" shall mean PricewaterhouseCoopers LLP.

"Other Non-U.S. Employee" shall mean an Employee who is principally employed in or assigned to those parts of the Business operated outside the U.S. and the EU on or after the date hereof. For these purposes, a Person who is normally considered to be principally employed outside the U.S. and the EU but who is on expatriate status in the U.S. and/or in the EU for more than one (1) year shall be considered an Other Non-U.S. Employee.

"Parent" shall have the meaning set forth in the first paragraph of this Agreement.

"Parent Certificate" shall mean a certificate signed by an officer of the Parent to the effect that each of the conditions specified in clauses (a) through (c) (insofar as clause (c) relates to an action, suit or proceeding involving, or a judgment, order, decree, stipulation or injunction against, any Seller) and clause (i) of Section 5.1 is satisfied.

"Parties" shall mean the Sellers and the Buyer collectively.

"Person" shall mean an individual, corporation, partnership, limited liability company, association, joint venture, trust or other entity or organization, including a Governmental Entity.

"Products" shall mean the Cellular Semiconductor Products developed, sold, under development and/or marketed by the Sellers or any of their respective Subsidiaries prior to the Closing Date, including, without limitation, all products developed, sold, under development and/or marketed by the Sellers' RF and Wireless Systems Group, but which do not include the products developed, under development, marketed or sold by Radio Frequency/Limerick (which such products do not include any Cellular Semiconductor Products).

"Purchase Price" shall mean U.S. $349,300,000.

"Purchase Price Payment" shall mean the Purchase Price less (i) any portion of the Purchase Price payable to any Seller at the Closing pursuant to the Country-Specific Asset Purchase Agreements, less (ii) such amount as set forth in the Letter Agreement and less (iii) the Escrow Amount.

"Registered Intellectual Property Rights" means (A) all Transferred Intellectual Property Rights under United States, international and foreign: (i) Patents; (ii) registered Trademarks, applications to register Trademarks, intent-to-use applications, or other registrations or applications related to Trademarks; and (iii) registered Copyright and applications for Copyright registration; and (B) any other Transferred Intellectual Property Rights that are the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by a Governmental Entity;

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, deposit, release, discharging, injecting, escaping, leaching, dumping, or disposing into the Environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Materials of Environmental Concern).

"Representative" shall mean, with respect to any Person, such Person's directors, officers, employees, counsel, financial advisors, auditors, agents and other authorized representatives.

"Retained Marks" shall mean any trademarks, tradenames or logos of any Seller, or any contraction, abbreviation or simulation of any such trademarks, tradenames or logos, other than trademarks, tradenames or logos that are Transferred Intellectual Property Rights.

"Retention Benefits Letter" shall mean the letter agreement, dated as of the date of this Agreement, between the Parent and the Buyer that identifies itself as the "Retention Benefits Letter Agreement" referred to in this Agreement.

"Security Interest" shall mean any mortgage, pledge, security interest, encumbrance, charge or other lien (whether arising by contract or by operation of law), claim, easement, lease, sublease, covenant, option, rights of others, or restriction (whether voting, sale, transfer disposition or otherwise) other than (a) mechanic's, materialmen's, landlord's and similar liens with respect to amounts not yet due and payable or being contested in good faith and by appropriate proceedings, (b) liens arising under worker's compensation, unemployment insurance, social security, retirement and similar legislation, (c) liens on goods in transit incurred pursuant to documentary letters of credit, in each case arising in the ordinary course of business, (d) liens for Taxes not yet due and payable or being contested in good faith and by appropriate proceedings, (e) liens relating to capitalized lease financings or purchase money financings that have been entered into in the ordinary course of business, (f) liens arising solely by action of the Buyer after the Closing and (g) liens which do not materially and adversely impair the use or value of the Acquired Asset which they encumber. For the purposes of this Agreement, a person shall be deemed to own subject to a Security Interest any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

"Seller Guarantees" shall mean all letters of credit, guarantees, covenants, indemnities or similar assurance provided by any Seller or any of their respective Affiliates relating exclusively to the Business, if any, set forth in Section 2.9(a)(B)(ix) of the Disclosure Schedule.

"Sellers" shall have the meaning set forth in the first paragraph of this Agreement.

"Sellers' 401(k) Plan" shall mean the defined contribution plan qualified under Section 401 of the Code sponsored by the Parent.

"Subsidiary" shall mean, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at any time directly or indirectly owned by such Person.

"Taiwanese Withholding Tax" shall mean any Tax paid or payable to any Taiwanese Taxing Authority on account of the transactions contemplated hereby as a result of the status of the Buyer or its Affiliates, the location or the utilization of the Acquired Assets, the Licensed Intellectual Property Rights, Licensed Technology, or the services being provided under the Transition Services Agreement.

"Taxes" shall mean all taxes, including without limitation income, gross receipts, ad valorem, value-added, excise, real property, personal property, sales, use, transfer, withholding, employment, social security charges and franchise taxes imposed by the United States of America or any state, local or foreign government, or any agency thereof, or other political subdivision of the United States or any such government, and any interest, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof, and liability for the payment of any of the foregoing as a result of being party to any agreement or any express or implied obligation to indemnify any other person.

"Taxing Authority" shall mean any applicable governmental authority responsible for the imposition of Taxes.

"Tax Returns" shall mean all reports, returns, declarations, statements, forms or other information required to be supplied to a Taxing Authority in connection with Taxes.

"Technology" shall mean all technology, technical information, all tangible embodiments of Intellectual Property Rights, including software, development tools, design tools, systems, files, drawings, designs, displays, devices, hardware, apparatuses, documentation, prototypes, lab notebooks, development and lab equipment, methodologies, hardware, tools, manuals, specifications, flow charts, electronic and other technical data, and other tangible embodiments of Trade Secrets or know-how, show-how, techniques, works of authorship and the like.

"Third Party Consents" shall mean all waivers, permits, consents, approvals or other authorizations from Governmental Entities and other third parties necessary or advisable to consummate the transactions contemplated by this Agreement or necessary for Buyer to conduct the Business from and after the Closing in the manner the Business is currently conducted and will be conducted as at the Closing.

"Transition Services Agreement" shall mean the Transition Services Agreement between the Parent and Buyer in substantially the form attached hereto as Exhibit A.

"Transferred Intellectual Property Rights" shall mean all Intellectual Property Rights owned by a Seller that are utilized exclusively in the Business, together with the Intellectual Property Rights specifically identified in Section 1.1(a)(i) of the Disclosure Schedule.

"Transferred Technology" shall mean all Technology owned by a Seller that is used exclusively in the Business, together with the Technology specifically identified in Section 1.1(a)(ii) of the Disclosure Schedule. To the extent that Transferred Technology includes software, then all versions and releases of such software owned by Seller as of the Closing Date, and corresponding source code and object code forms, shall be included as Transferred Technology.

"U.S. Employee" shall mean any Employee who is principally employed in or assigned to those parts of the Business operated in the United States on or after the date hereof. For these purposes, a person who is normally considered to be principally employed outside the United States, but who is on expatriate status in the United States for more than one (1) year, will be considered a U.S. Employee.

"Web Properties" shall mean all rights to Uniform Resource Locators, Web site addresses and domain names.

## ARTICLE XII
## MISCELLANEOUS

12.1 Press Releases and Announcements. Immediately after the execution and delivery of this Agreement, the Parties will issue a joint press release announcing the execution and delivery of this Agreement, substantially in the form previously delivered to each other. No Party shall issue (and each Party shall cause its Affiliates not to issue) any other press release or public disclosure relating to the subject matter of this Agreement without the prior written approval of the other Party or Parties; provided, however, that any Party may make any public disclosure it believes in good faith is required by law, regulation or stock exchange rule (in which case the disclosing Party shall advise the other Party or Parties and the other Party or Parties shall, if practicable, have the right to review and comment on such press release or announcement prior to its publication).

12.2 No Third Party Beneficiaries. Except as set forth in Sections 6.1 and 6.2, this Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns and, to the extent specified herein, their respective Affiliates.

12.3 Action to be Taken by Affiliates. The Parties shall cause their respective Affiliates to comply with all of the obligations specified in this Agreement to be performed by such Affiliates.

12.4 Entire Agreement. This Agreement, the documents referred to herein (including, without limitation, the Letter Agreement, the Retention Benefits Letter and the Country-Specific Asset Purchase Agreements) and the Confidentiality Agreement constitute the entire agreement among the Buyer, on the one hand, and the Sellers, on the other hand. This Agreement and the documents referred to herein (including, without limitation, the Letter Agreement, the Retention Benefits Letter and the Country-Specific Asset Purchase Agreements) supersede any prior agreements or understandings among the Buyer, on the one hand, and the Sellers, on the other hand, and any representations or statements made by or on behalf of any Seller or any of their respective Affiliates to the Buyer, whether written or oral, with respect to the subject matter hereof and thereto, other than the Confidentiality Agreement, and the parties hereto specifically disclaim reliance on any such prior representations or statements to the extent not embodied in this Agreement.

12.5 Succession and Assignment. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the Parent (in the case of an assignment by the Buyer) or the Buyer (in the case of an assignment by any Seller), which written approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, this Agreement, and all rights, interests and obligations hereunder, may be assigned or delegated, without such consent, (i) to any entity that acquires all or substantially all of a Party's business or assets or the division of Buyer which contains the Business as it is conducted after the Closing and (ii) by Buyer, in whole or from time to time in part, to one or more of its Affiliates at any time prior to the Closing; provided, that no such assignment or delegation shall relieve the assigning Party of any of its obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. For the avoidance of doubt, a successor of a Party shall not include any third-party acquirer of such Party in a transaction in which such Party or the surviving entity of a merger in which such Party was a constituent entity becomes a direct or indirect Subsidiary of such third-party.

12.6 Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly delivered four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent for next business day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to the Buyer:

MediaTek Inc.
10F, No. 1 Dusing Road 1
Science-Based Industrial Park
HsinChu City, Taiwan, 300
R.O.C.
Telecopy: 886-3-578-7610
Attention: Wei-Fu Hsu, Senior Director,
Corporate Counsel
Legal and Intellectual Property
Division

Copy to:

Davis Polk Wardwell
1600 El Camino Real
Menlo Park, CA 94025
Telecopy: (650) 752-2111
Attention: Alan F. Denenberg

If to any Seller:

c/o Analog Devices, Inc.
Corporate Headquarters
One Technology Way
P. O. Box 9106
Norwood, MA 02062-9106
Telecopy: (781) 461-3215
Attention: General Counsel

Copy to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Telecopy: (617) 526-5000
Attention: Mark G. Borden

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

12.7 Amendments and Waivers. The Parties may mutually amend or waive any provision of this Agreement at any time. No amendment or waiver of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

12.8 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the body making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

12.9 Expenses. Except as otherwise specifically provided to the contrary in this Agreement, each of the Parties shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

12.10 Governing Law. This Agreement and any disputes hereunder shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of New York.

12.11 Arbitration.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, including formation, interpretation, breach or termination thereof, including whether the claims asserted are arbitrable (each, a "Dispute"), will be resolved as follows: The senior management of all parties to the Dispute shall meet promptly following written request of a Party to the Dispute to attempt to resolve such Dispute. In the event that senior management cannot resolve the Dispute within 30 Business Days of their initial conference, the Parties irrevocably agree and acknowledge that any such Dispute, shall be resolved, as between the Parties, exclusively and solely by binding arbitration in accordance with this Section 12.11. For purposes hereof, "senior management" shall mean officers of the respective party with authority to resolve the Dispute.

(b) With respect to any matter that a Party elects to submit to arbitration pursuant to this Section 12.1, the submitting Party shall deliver a demand for arbitration to the other Party (a "Demand"). Such arbitration shall be conducted pursuant to an arbitration procedure under which the disputing parties shall jointly select, within 15 Business Days of the Demand, an independent arbitrator with the relevant industry and technical background but with no prior, existing or potential business relationship with either party or an Affiliate of either party. If, for whatever reason, the disputing parties cannot mutually agree on an independent arbitrator within such 15 Business Days, Judicial Arbitration Mediation Services shall appoint an arbitrator it deems to have reasonably relevant industry and technical background. The location of such arbitration shall be in New York, New York or as otherwise mutually agreed upon by the disputing parties. Upon the request of either disputing party, the arbitrator selected will hear each party's presentation as soon as practicable following such selection. The arbitrator will rule as soon as practicable following the conclusion of such presentation by the disputing parties, and such ruling shall be non-appealable. Such arbitration shall be initiated and conducted in accordance with the International Arbitration Rules of the Judicial Arbitration Mediation Services, as such rules shall be in effect on the date of delivery of a Demand for arbitration, except to the extent that such rules are inconsistent with the provisions set forth in this Agreement.

(c) Any award by the arbitrator shall be accompanied by a written opinion setting forth the findings of fact and conclusions of law relied upon in reaching the decision. The award rendered by the arbitrator shall be final, binding and non-appealable, and judgment upon such award may be entered by any court of competent jurisdiction for enforcement pursuant to the New York Convention on Enforcement of International Arbitral Awards. The Parties agree that the existence, conduct and content of any arbitration shall be kept confidential and no Party shall disclose to any person any information about such arbitration, except as may be required by law or by any governmental authority or for financial reporting purposes in each Party's financial statements and except in court proceedings to enforce this arbitration provision or any award hereunder or to obtain interim relief. The arbitrator shall be empowered to award such remedies as he or she shall consider appropriate based upon the arbitrator's findings of fact and conclusions of law and such other factors as the arbitrator considers relevant, subject to Section 6.5(b) of this Agreement.

(d) Notwithstanding anything in this Agreement to the contrary, any Party may apply for conservatory or interim relief measures to the United States District Court for the Southern District of New York which shall have exclusive jurisdiction to grant such injunctive relief.

12.12 Bulk Transfer Laws. The Buyer acknowledges that the Sellers will not comply with the provisions of the bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this Agreement.

12.13 Construction.

(a) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(b) Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

(c) The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(d) Any reference herein to an Article, section or clause shall be deemed to refer to an Article, section or clause of this Agreement, unless the context clearly indicates otherwise.

(e) All references to “$”, “Dollars” or “US$” refer to currency of the United States of America.

12.14 Foreign Exchange Conversions. If any amount to be paid, transferred, allocated, indemnified, reimbursed or calculated pursuant to, or in accordance with, the terms of this Agreement or any Exhibit or Schedule (including the Disclosure Schedule) referred to herein (including without limitation the calculation, payment or reimbursement of Damages under Article VI or Article VII hereof) is originally stated or expressed in a currency other than United States Dollars, then, for the purpose of determining the amount to be so paid, transferred, allocated, indemnified, reimbursed or calculated, such amount shall be converted into United States Dollars at the exchange rate between those two currencies most recently quoted in The Wall Street Journal in New York as of the Business Day immediately prior to (or, if no such quote exists on such Business Day, on the closest Business Day prior to) the day on which the Party required to make such payment, transfer, indemnification, reimbursement or calculation first becomes obligated to do so hereunder (or, in the case of Article VI hereof, would have first become obligated to do so but for the operation of Section 6.5(a) hereof); provided, however, that nothing in this Section 12.14 shall be deemed to require any Party to make any foreign currency conversion or other similar calculation that violates or conflicts with, or otherwise causes a Party to violate or Applicable Law.

12.15 Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

12.16 Counterparts and Facsimile Signature. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

12.17 Specific Performance. The parties hereto agree that irreparable damage would occur if any provision of this Agreement to be performed following the Closing were not performed in accordance with the terms thereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of any such provision or to enforce specifically the performance of any such provision in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, in addition to any other remedy to which they are entitled at law or in equity.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

ANALOG DEVICES, INC.

By: /s/ Jerald G. Fishman
Name: Jerald G. Fishman
Title: President and Chief Executive Officer

ANALOG DEVICES, B.V.

By: /s/ Jerald G. Fishman
Name: Jerald G. Fishman
Title: Attorney-in-Fact

ANALOG DEVICES APS

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES LIMITED

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES INDIA PRIVATE LIMITED

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

[*Purchase and Sale Agreement Signature Page*]

ANALOG DEVICES HONG KONG, LTD.

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES KOREA, LTD.

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES TAIWAN, LTD.

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES (SHANGHAI) CO., LTD.

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

ANALOG DEVICES (CHINA) CO., LTD.

By: /s/ William A. Martin
Name: William A. Martin
Title: Director

[*Purchase and Sale Agreement Signature Page*]

MEDIATEK INC.

By: /s/ Ming-Kai Tsai
Name: Ming-Kai Tsai
Title: Chairman

[*Purchase and Sale Agreement Signature Page*]

**EXHIBIT 2.2**

## LICENSE AGREEMENT

This License Agreement (“**Agreement**”), dated as of __________, is made and entered into by and between Analog Devices, Inc., a Massachusetts corporation (“**ADI**”), Analog Devices, B.V., a corporation organized under the laws of the Netherlands, (“**Analog B.V.**” and together with ADI, the “**Analog Parties**”) and MediaTek, Inc., a corporation organized under the laws of Taiwan and [Designated Entity] (collectively, together with all of their respective Related Entities, the “**Licensee**”).

### Background

A. The Analog Parties and Licensee have entered into a certain Purchase and Sale Agreement dated September 9, 2007 (as such agreement may be amended from time to time, the “**Purchase and Sale Agreement**”).

B. In connection with the Purchase and Sale Agreement, Licensee wishes to obtain a license, and the Analog Parties and their respective Subsidiaries (as defined below) are willing to grant a license under the terms of this Agreement, to the Analog Technology (as defined below) and the Analog Intellectual Property (as defined below).

In consideration of the mutual undertakings set forth herein, the sufficiency of which is acknowledged, Licensee and the Analog Parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the following meanings:

“**218x DSP**” means the Analog 218x DSP as it is presently used in digital baseband semiconductor integrated circuits, but specifically excluding the M2181 Synthesizable RTL as licensed by Analog from QualCore Logic, Inc. (formally known as VIPG) which is the subject of the M2181 Synthesizable RTL Sublicense Agreement.

“**Acquired Business**” shall mean the “Business” as defined in the Purchase and Sale Agreement.

**“Ancillary Functionality”** means analog or digital functionality that is the same as or substantially similar to functionality performed by Current Products other than the processing of radio frequency, digital baseband, and/or analog baseband signals in compliance with one or more of the Applicable Standards. For clarity, Ancillary Functionality includes without limitation power management functions and multimedia processing.

“**Analog Design Tools**” means all proprietary software in Source Code and/or Object Code form, related behavioral models and data owned by any of the Analog Parties or their respective Subsidiaries on the Effective Date and used to create Current Products, including but not limited to the software, models and data listed in Appendix A attached hereto, and related Documentation.

"**Analog Development Tools**" means all proprietary software in Source Code and/or Object Code form and related hardware and/or emulators and related Documentation owned on the Effective Date by any of the Analog Parties or their respective Subsidiaries and used to create software to run on (a) a DSP of a Current Product specifically, the 218x DSP, Baseband DSP or SigmaDSP or (b) a PC for use in developing, debugging or testing a Current Product, including, without limitation, editors, linkers, compilers and emulators, and related Documentation. Analog Development Tools include but are not limited to those tools listed in Appendix B attached hereto.

"**Analog Hardware Technology**" means the technology and related information currently owned on the Effective Date and used by any of the Analog Parties or their respective Subsidiaries in connection with the design, development, implementation, testing, debugging, supporting, and manufacturing of Current Products including but not limited to all register transfer level code, Source Code (provided that with respect to the Analog Tools, Source Code is supplied only to the extent listed in an applicable Appendix), test benches, synthesizable net lists, synthesis scripts, make files, flow methodologies, Documentation, placement and layout diagrams, circuit schematics, simulation models, specifications, production test requirements, DSPs, firmware and DSP code, LEDs, digital to analog converters, analog to digital converters, phase locked loops, clocks, memory caches, references, power management units, interfaces, switches, detectors, modulators, gain blocks, controllers, codecs and codec interfaces, drivers, data interfaces, memory interfaces, SIM interfaces, communications interfaces, display interfaces, radio interfaces, keypad interfaces, and accessory interfaces, to the limited extent that the same are included within the Current Products. For the avoidance of doubt, Analog Hardware Technology shall not include any (i) Third Party Technology (except to the extent sublicensable to Licensee without causing any Analog Party or any Related Entity to incur an obligation to pay a license fee, royalty, or similar cost to any third party) or (ii) Transferred Technology.

**"Analog Intellectual Property"** means all Intellectual Property (excluding the Transferred Intellectual Property Rights) owned or licensed (with the right to sublicense; provided, that Intellectual Property licensed to the Analog Parties shall not be included if the grant of a sublicense to such Intellectual Property would cause any Analog Party or any Related Entity to incur an obligation to pay a license fee, royalty, or similar cost to any third party) on the Effective Date by the Analog Parties or their respective Subsidiaries applicable to the Analog Technology and/or the Transferred Technology, including, without limitation, the Licensed Patents.

"**Analog Modification**" has the meaning set forth in Section 6.5.

"**Analog Modified Version**" means each derivative of any item of Transferred Technology (including any translation, modification, compilation, abridgement or other form in which the Analog Technology has been recast, transformed or adapted) and any trade secrets relating thereto, other modifications and improvements to the Transferred Technology and related Confidential Information, made by Analog pursuant to this Agreement.

**"Analog Technology"** means the Analog Hardware Technology, Analog Tools, and Documentation. The term "Analog Technology" excludes Third Party Technology, except to the extent sublicensable to Licensee without causing any Analog Party or any Related Entity to incur an obligation to pay a license fee, royalty, or similar cost to any third party.

"**Analog Tools**" means Analog Design Tools and Analog Development Tools.

"**Applicable Standards**" means the following 2G and/or 3G cellular telecommunication standards: GSM, GPRS, EDGE, UMTS, HSxPA, TDSCDMA, 4G and beyond and future extensions of each of the foregoing, provided however that the inclusion of 4G and beyond and future extensions of the same shall not apply to or limit the license rights under Section 6.1 and 6.2 or rights provided under Section 7.1. For the purposes hereof "4G" has the meaning commonly ascribed to it by the telecommunications market, from time to time, but in any event shall include 802.16x, WiMAX, WiBRO and Ultra Mobile Broadband.

"**Baseband DSP**" means the 16 bit fixed point DSP currently known as "Blackfin" that (a) is presently used in Analog digital baseband semiconductor integrated circuits, (b) is not a 218x DSP, (c) is characterized by a low power advanced fixed point MicroSignal Architecture DSP core and NISA DSP architecture.

"**Cellular Semiconductor Product**" means a System-on-Chip that has, as the primary purpose of the integrated circuit(s), the processing of radio frequency, digital baseband, and analog baseband signals in compliance with one or more of the Applicable Standards, or a set of integrated circuits that work together (a **"Chipset"**; whether in one package or multiple packages) to process radio frequency, digital baseband, and analog baseband signals in compliance with one or more of the Applicable Standards. For avoidance of doubt, and without limiting the generality of the foregoing, a Cellular Semiconductor Product does not include a base station or other cellular infrastructure products, systems or components.

"**Cellular Terminal**" means a mobile telecommunications device that (a) receives and demodulates radio frequency signals and processes such signals in the baseband, and (b) receives and processes baseband signals and modulates and transmits such signals at radio frequencies, all in compliance with one or more of the Applicable Standards.

**"Confidential Information"** means, except as the exclusions set forth in Section 9.1 may apply: (i) the terms and conditions of this Agreement; (ii) the Analog Technology (to be treated hereunder as Analog's Confidential Information), including without limitation when contained in any Licensee Modified Version or any Licensee Modification; (iii) the Transferred Technology (to be treated hereunder as Licensee's Confidential Information), including without limitation when contained in any Analog Modified Version or any Analog

Modification; (iv) any information designated in writing by either party, by appropriate legend, as confidential; (v) any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and (vi) any other information, written or oral, that a reasonable person in the position of the receiving party would understand to be confidential given the circumstances surrounding disclosure or the nature of such information.

"**Current Products**" means all products sold or marketed or proposed to be sold or marketed by the Acquired Business as of the Effective Date including but not limited to the products listed on Appendix C attached hereto. For avoidance of doubt, the Current Products shall include all products in the Product Roadmap.

**"Derivative"** (when capitalized) means a derivative work within the meaning of the United States Copyright laws together with implementation or insubstantion in any semiconductor of the same.

"**Documentation**" means all technical documentation, specifications, design documents, drawings, data sheets, user guides, training and supporting materials, library guides, and marketing literature and any other documents that Analog generally makes available to its customers in connection with Current Products as of the Effective Date.

"**Effective Date**" means the closing date of the transactions described by the Purchase and Sale Agreement.

**"Essential Intellectual Property"** means the Intellectual Property that necessarily applies to any commercially feasible implementation of a technical standard, including but not limited to any Applicable Standard, in whole or in part through Licensed Products.

"**Executable Binary**" means an executable representation of processor specific machine instructions created through compilation of Source Code and linking of Object Code.

**"Field of Use"** shall have the following meaning:

(i) From the Effective Date until the second anniversary of the Effective Date, the term "Field of Use" means Cellular Semiconductor Products (in which the functionality of the Analog Hardware Technology and its Derivatives is limited to the processing of radio frequency, digital baseband, and/or analog baseband signals in compliance with such Applicable Standards, and Ancillary Functionality), and any other Wireless Semiconductor Products or technology to be sold and used exclusively with Licensee's Cellular Semiconductor Products in a Cellular Terminal;

(ii) From and after the second anniversary of the Effective Date, except for the patent assets and the selected Analog Hardware Technology listed in Appendix J (the "**Selected IP**"), the term "Field of Use" shall mean any and all semiconductor products; and

(iii) From and after the second anniversary of the Effective Date for the Selected IP, the term "Field of Use" shall mean Cellular Semiconductor Products (in which the functionality of the Analog Hardware Technology and its Derivatives is limited to the processing of radio frequency, digital baseband, and/or analog baseband signals in compliance with such Applicable Standards, and Ancillary Functionality) and Wireless Semiconductor Products, in any terminal. For the avoidance of doubt under this section (iii), (a) the Field of Use shall include DVB-H, and (b) in the event that an integrated circuit implements functionality outside the Cellular Semiconductor Product or Wireless Semiconductor Product portion of the Field of Use, the use of the Analog Hardware Technology listed in Appendix J or Derivatives thereof or use of any technology that reads on the patent assets listed in Appendix J is licensed and permitted only for those portions of the integrated circuit that fall within the defined Field of Use as so limited. (See example in Appendix I);

provided further that in no event will the Field of Use at any time include integrated circuits that are not a System-on-Chip or a set of System-on-Chips and, in no event will the Field of Use at any time include any General Purpose Product or any base station or other cellular infrastructure product, system or component.

**"General Purpose Product"** means a semiconductor component that is not a System-On-Chip and that provides, as its primary purpose, a basic or general purpose analog or digital function. For avoidance of doubt, and without limiting the generality of the foregoing, the term "General Purpose Product" includes amplifiers, drivers, comparators, A/D converters, D/A converters, sample/track & hold amplifiers, V/F and F/V converters, line receivers or transmitters, microconverters, microcontrollers, codecs, analog computation circuits (e.g. multipliers, dividers, RMS converters), mixers, voltage regulators, voltage references, temperature sensors, multiplexers and decoders, switches, signal isolators, micro-machined devices, RF detectors, power management components (except that stand-alone power management components may be sold as part of a Cellular Semiconductor Product), energy meters, DC-DC converters, battery chargers, frequency synthesizers, and digital signal processors.

"**Improvement**" shall have the meaning that applies under the US federal law under the Patent Act.

**"Intellectual Property"** means any or all of the following and all statutory and/or common law rights throughout the world in, arising out of, or associated therewith: (i) all patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (ii) all inventions (whether patentable or not) retained as confidential information, confidential invention disclosures, confidential improvements, and all other trade secrets; (iii) all works of authorship, copyrights, mask works, copyright and mask work registrations and applications and all industrial designs and design rights and any registrations and applications therefor; and (iv) any similar, corresponding or equivalent rights to any of the foregoing.

"**License**" means the grants set forth in Section 2.1, subject to the restrictions and other requirements set forth in Section 2.

"**License Back**" means the grants set forth in Section 6.1 subject to the restrictions and other requirements set forth therein.

"**Licensee Modified Version**" means each derivative of any item of Analog Technology (including any translation, modification, compilation, abridgement or other form in which the Analog Technology has been recast, transformed or adapted) and any trade secrets relating thereto, other modifications and improvements to the Analog Technology and related Confidential Information, made by Licensee pursuant to this Agreement.

"**Licensee Modification**" means a change in, subtraction from or addition to the Analog Technology made by Licensee in the making of a modification or derivative thereof pursuant to the license grants in Section 2 of this Agreement. The meaning of Licensee Modification will be interpreted in accordance with and guided by with the examples set forth on Appendix K.

"**Licensed Patents**" means all patents (excluding the Patents included in the Transferred Intellectual Property Rights as defined in the Purchase and Sale Agreement) worldwide owned by the Analog Parties or their respective Subsidiaries on the Effective Date or issued on any patent applications pending on the Effective Date or any applications claiming priority from a patent pending on the Effective Date, applications filed by the Analog Parties or their respective Subsidiaries that read on the Transferred Technology, Analog Hardware Technology and/or the Analog Tools including but not limited to the patents and patent applications listed on Appendix G attached hereto.

"**Licensed Products**" means Cellular Semiconductor Products and Wireless Semiconductor Products and other semiconductor products, all to the extent made under the license granted in Section 2 of this Agreement.

"**M2181 Synthesizable RTL**" means the synthesizable DSP core and any Derivatives thereof in the Current Products (i.e. Klio) licensed by Analog from QualCore Logic, Inc. (formally known as VIPG), and licensed by Analog to Licensee pursuant to the M2181 Synthesizable RTL Sublicense Agreement.

"**M2181 Synthesizable RTL Sublicense Agreement"** means that agreement between the parties of even date hereof, under which the M2181 Synthesizable RTL is sublicensed by Analog to Licensee, which will be substantially in the form attached as Appendix L.

**"Object Code"** means the machine code generated by a Source Code language processor such as an assembler or compiler, which may be linked to create Executable Binary.

"**Permitted Sublicensees**" means those customers listed on Appendix F attached hereto to whom Licensee may grant sublicenses of the Analog Hardware Technology and Analog Design Tools pursuant to the provisions hereof. Such Appendix may be amended from time to time by Licensee with the prior written consent of Analog; provided, that such consent shall not be unreasonably withheld or delayed.

"**Product Roadmap**" means products under active development by the Acquired Business, including but not limited to those listed under the heading "Product Roadmap" of Appendix C attached hereto.

"**Related Entity**" means, with respect to a party, a person or entity that controls, is controlled by, or is under common control with such party; provided, however, that an entity shall only be a Related Entity during such time as it is controls, is controlled by, or is under common control with such party. For purposes of this definition, "control" means ownership of more than fifty percent (50%) of the outstanding capital stock or other securities having voting rights or power, or any other ability, to elect more than half of the board of directors or similar managing authority of the subject entity, whether by contract or otherwise.

"**Residuals**" means information in non-tangible form that has been unintentionally retained in the memory of and used by persons who have had access to the Analog Technology as authorized herein.

**"SigmaDSP"** means the Analog 26-bit, 3-channel digital signal processor core and technology currently known under the SigmaDSP including versions of the software currently known as "Sigma Studio."

"**Source Code**" means the software programs and supporting files which can be used to create Object Code and/or Executable Binary, and that are written using human readable formats including, but not limited to, high-level languages such as C or intermediate languages such as assembler. Source code also means auto-generated source code which is created by a software tool, which is then subject to assembly, compilation or further processing to create an Executable Binary.

"**System-on-Chip"** means a semiconductor chip that consists of the integration of all or substantially all of the electronic communications and signal processing components of a product.

"**Subsidiaries**" has the meaning set forth in the Purchase and Sale Agreement.

“**Term**” has the meaning set forth in Section 13.1.

“**Third Party Technology**” means any technology subject to a third party’s Intellectual Property Rights or obtained under a license grant from a third party, including, without limitation, the M2181 Synthesizable RTL, and any models that may be required by Licensee.

“**Transferred Intellectual Property Rights**” has the meaning set forth in the Purchase and Sale Agreement.

“**Transferred Technology”** has the meaning set forth in the Purchase and Sale Agreement.

**“Wireless Semiconductor Product”** means a System-on-Chip or a Chipset that uses the Analog Hardware Technology for the primary purpose of implementing wireless communications protocols pursuant to one or more of the following: GPS, Bluetooth, WiFi and WiMax.

**2. License**.

2.1 License of Analog Intellectual Property. Subject to the terms and conditions of this Agreement, under the Analog Intellectual Property, the Analog Parties or their respective Subsidiaries hereby grant to Licensee a perpetual (except as otherwise set forth below), irrevocable (except as otherwise set forth below), non-transferable (except pursuant to Section 14.4), non-exclusive, worldwide license (with limited rights to sublicense, only as set forth below) to do any of the following during the Term:

(a) With respect to the Analog Hardware Technology (but not the M2181 Synthesizable RTL):

(i) to use, copy, modify and create derivative works of the Analog Hardware Technology, for the design, development, manufacture, sale, testing, debugging, support and maintenance of integrated circuits within the Field of Use;

(ii) to make, have made, use, sell (directly or indirectly), offer for sale, import, reproduce, distribute, and provide support for integrated circuits created under Section 2.1(a)(i); and

(iii) to sublicense the Analog Hardware Technology pursuant to the terms set forth below.

(b) With respect to the Analog Design Tools, for the duration specified in Appendix A (and subject to the limitation set forth in Appendix A):

(i) to use, copy, import, modify, make derivative works from and maintain (if provided in Source Code form pursuant to Appendix A) the Analog Design Tools for the design, development, manufacture, sale, testing, debugging, support and maintenance of integrated circuits within the Field of Use; and

(ii) to sublicense the Analog Design Tools pursuant to the terms set forth below.

(c) With respect to the Analog Development Tools for the duration specified in Appendix B (and subject to the limitation set forth in Appendix B):

(i) to use, copy, import, modify, make derivative works from and maintain (if provided in Source Code form pursuant to Appendix B) the Analog Development Tools for the purpose of creating software to run on a 218x DSP, a Broadband DSP or a SigmaDSP embedded within an integrated circuit within the Field of Use; and

(ii) to sublicense the Analog Development Tools pursuant to the terms set forth below.

(d) With respect to the Transferred Technology embodying or reading upon any Analog Intellectual Property (including, but not limited to, Licensed Patents):

(i) to use, copy, modify and create derivative works of any such Transferred Technology, for the design, development, manufacture, testing and debugging of integrated circuits; and

(ii) to make, have made, use, sell (directly or indirectly), offer for sale, import, reproduce, distribute, and provide support for integrated circuits created under Section 2.1(d)(i).

Each of the foregoing technologies licensed under (a), (b), (c) or (d) above may be used independently or in combination with one another. A license to use under this Agreement also includes a license for display (if applicable) as is reasonably required for use, subject to applicable confidentiality requirements.

2.2 [Section Omitted]

2.3 Sublicenses of Analog Hardware Technology and Analog Tools.

(a) Subject to the terms and conditions below and an applicable sublicense license which will be substantially in the form attached hereto as Appendix D, Licensee may sublicense the Analog Hardware Technology and Analog Design Tools to the Permitted Sublicensees. For avoidance of doubt, no sublicense is permitted to any party other than a Permitted Sublicensee without Analog's consent, which shall not be unreasonably withheld or delayed.

(b) Subject to the terms and conditions below, Licensee may sublicense the Analog Development Tools to the Permitted Sublicensees or any of its other customers on terms no less stringent than those set forth herein and in accordance with the terms and conditions set forth in Appendix E.

(c) Licensee shall give Analog prompt written notice of any such sublicense and a copy of the relevant sublicense agreement, together with such other information as Analog may reasonably request from time to time.

(d) No representation, warranty or indemnity provided by any Analog Party to Licensee under the Purchase and Sale Agreement or this License Agreement shall pass through to or otherwise inure to the benefit of any sublicensee.

2.4 Restrictions on License; Protection Against Unauthorized Use. The License is subject to the restrictions that Licensee shall not, directly, or indirectly:

(a) exercise the License except within the scope and terms herein;

(b) use any technology or Intellectual Property licensed under this Agreement outside the Field of Use;

(c) use the Baseband DSP Technology other than in the development and production of Baseband DSPs that are embedded in a System-on-Chip integrated circuit or a Chipset within the Field of Use;

(d) engage any subcontractor in connection with exercising any right granted hereunder with respect to any Analog Hardware Technology except as permitted herein;

(e) extend any sublicense, or distribute any Analog Technology, except as permitted herein;

(f) use any Analog Technology in acting as a foundry for any third party provided, however, that this clause shall not prevent Licensee from manufacturing (or arranging the manufacture) of Cellular Semiconductor Products for which the Permitted Sublicensees have participated in the design;

(g) pledge, encumber or permit the encumbrance of, transfer, or assign the License of any Analog Technology licensed hereunder, except as permitted under Section 14.4;

(h) reverse engineer any Object Code or Executable Binary code licensed to Licensee hereunder, where rights to the corresponding Source Code are not granted to Licensee in Section 2;

(i) (1) procure for others (except Permitted Sublicensees) to use, any Analog Technology or Analog Intellectual Property for the purposes of developing technology or products which work around an Analog Party's rights in intellectual property licensed hereunder; or (2) use, or procure for others to use, any Analog Technology or Analog Intellectual Property for the purposes of challenging the validity of Analog Intellectual Property licensed hereunder, an Analog Party's rights therein, or in connection with any action or request for cancellation or re-examination of the same or otherwise;

(j) exercise any right with respect to the Analog Technology or Analog Intellectual Property not expressly specified hereunder;

(k) disclose any Analog Confidential Information, except as authorized hereunder;

(l) use the Analog Technology other than pursuant to rights granted in this Agreement; or

(m) sublicense the M2181 Synthesizable Core; provided, that, notwithstanding the foregoing, the Analog Parties acknowledge the need for Permitted Sublicensees to obtain the sublicense of the M2181 Synthesizable Core in connection with exercising their rights under Section 2.3 and the Analog Parties agree to promptly enter into separate sublicense agreements with such parties to allow them to exercise their rights under Section 2.3 upon request from Licensee; provided, that each such sublicensee pay all fees, expenses, royalties and costs associated with such sublicense per Analog's license agreement with QualCore Logic, Inc.

2.5 Exercise Through Related Entities. Licensee shall be entitled to exercise the License through Related Entities; provided, that (a) each such Related Entity consents in writing to be bound by this Agreement, and (b) any such exercise shall cease immediately if such entity ceases to be a Related Entity. Licensee shall remain responsible for any breach by a Related Entity even after such entity ceases to be a Related Entity.

2.6 Subcontractors. Subject to the terms and conditions of this Agreement, including without limitation, Licensee retaining responsibility for any breach of this Agreement, and the requirements of Section 9, Licensee may employ subcontractors in connection with the exercise of the License.

2.7 Certain Sublicenses. The Licensee may grant sublicenses under the License in connection with the sale, spin-off, reorganization, merger or disposition of any product line or line of business (each, a "Licensee Transaction-Connected Sublicense"). The Licensee may grant three Licensee Transaction-Connected Sublicenses without the Analog Parties' consent (but must provide reasonably prompt notice to the Analog Parties of the same) and thereafter, with the Analog Parties' consent, not to be unreasonably refused. Licensee Transaction-Connected Sublicenses under this Section 2.7 may only be granted in a bona fide transaction not designed for the purpose of immunizing the grantee from the assertion of the Analog Intellectual Property by the Analog Parties. Each grantee of such a Licensee Transaction-Connected Sublicense may grant one Licensee Transaction-Connected Sublicense without the Analog Parties' consent (but must provide reasonably prompt notice to the Analog Parties of the same) subject, in all other respects, to the foregoing terms and conditions. No Licensee Transaction-Connected Sublicense may be granted except as provided above. A Licensee Transaction-Connected Sublicense may not be granted to any party listed on Appendix H attached hereto; provided, that the restriction set forth in this sentence shall expire on the fourth (4th) anniversary of the Effective Date. Every sublicense under this Section 2.7 shall be subject to any and all limitations that apply to the License under this Agreement. Each grantee under a sublicense under this Section 2.7 will have the right to transfer the sublicense in connection with the transfer, sale or other disposition of all or substantially all of the assets of the grantee. For clarification, the provisions set forth in this Section 2.7 shall not limit the rights of the parties under Section 14.4 of this Agreement.

**3. License Fees.**

3.1 License Payment. In consideration for the License, Licensee shall make a payment to the Analog Parties equal to fifteen million US dollars ($US 15,000,000) (the "**Licensee Fee**"). The parties hereto acknowledge and agree that the License Back is being granted in connection with the transactions contemplated by the Purchase and Sale Agreement and that no additional value is attributable thereto.

3.2 Withholding Taxes. The Parties shall use commercially reasonable efforts to minimize any applicable withholding tax and obtain any available exemption, tax credit or refund in respect of any such withholding tax. Licensee will pay on a timely basis all amounts owed pursuant to any applicable withholding tax to the appropriate Taxing Authority (as defined in the Purchase and Sale Agreement) as required by Applicable Law; provided, however, that Licensee shall first submit to Analog for its approval all documents it proposes to provide to such Taxing Authority, which approval shall not be unreasonably withheld or delayed. Licensee shall provide to Analog an official receipt or other evidence of payment of any applicable withholding tax reasonably satisfactory to Analog. Each of Analog and Licensee shall use commercially reasonable efforts to promptly pay to the other fifty percent (50%) of any cash refund received by it (or an Affiliate as defined in the Purchase and Sale Agreement) in respect of any applicable withholding tax. For tax and accounting purposes only, any such payment shall be treated as an increase of the License Fee if made by Licensee and a reduction of the License Fee if made by Analog. If Analog (or any Affiliate of the Analog) actually receives, after taking into account all other available tax assets, a net benefit from a tax credit in respect of any applicable withholding tax, it shall pay over to Licensee 50% of the net tax benefit received promptly after the earlier of (i) the expiration of the statute of limitations applicable to the taxable year in which such net tax benefit was received or (ii) the completion of an audit examination by the relevant Taxing Authority of the income tax returns for the taxable year in which such net tax benefit was received. Any such payment shall be treated as a reduction of the License Fee for tax and accounting purposes only.

**4. Compliance with Laws**. Licensee will comply with all applicable laws, rules, regulations, orders and other requirements of any governmental authority having jurisdiction over its exercise of the License. Some elements of the technology licensed under this Agreement are subject to governmental restrictions on exports and reexports; disclosures of such technologies to foreign persons; and the importation and/or use of such technologies outside of the United States. Licensee shall comply with all applicable U.S. and foreign export, customs and import laws and regulations (including without limitation the Export Administration Regulations of the U.S. Department of Commerce, the International Traffic in Arms Regulations of the U.S. Department of State and the sanctions regulations of the U.S. Department of Treasury).

**5. Proprietary Rights.**

5.1 Ownership. The Analog Parties retain sole and exclusive ownership of the Analog Intellectual Property and Analog Technology. Except as expressly set forth in this Agreement, no license right in or to the Analog Technology or Analog Intellectual Property is granted to Licensee pursuant to or by virtue of this Agreement. Nothing of this Agreement conveys or assigns to Licensee any ownership in or to the Analog Technology or Analog Intellectual Property. No licenses are granted by implication. The Analog Parties will not have any obligation to register, make any filing with respect to, enforce, defend or take any other action for the perfection, maintenance, preservation or protection of any Analog Technology or Analog's Intellectual Property.

5.2 Licensee Modifications. Licensee Modifications (with respect to Intellectual Property therein created by or for Licensee) shall belong solely to Licensee; provided that this Section 5.2 grants no license, permission or immunity with respect to any Licensee Modifications under any Analog Intellectual Property beyond or in addition to the license grants stated in this Agreement that may otherwise apply.

**6. License to Analog**

6.1 License Grant. Subject to the terms and conditions of this Agreement, Licensee hereby grants to the Analog Parties under the Transferred Intellectual Property Rights and with respect to the Transferred Technology, a perpetual, irrevocable, non-exclusive, non-transferable (except as set forth in Section 6.6 below), worldwide, royalty-free, license to make, have made, use, sell (directly or indirectly), offer for sale, import, modify, copy, display, create derivative works of, support, and distribute products and services of any kind; provided, that for the period commencing on the Effective Date and continuing thereafter until the seventh (7th) anniversary thereof, no Analog Party shall use the Transferred Intellectual Property Rights to manufacture or sell Cellular Semiconductor Products. Notwithstanding the foregoing, with regard to certain patents include in the

Transferred Intellectual Property Rights, as listed immediately below, the restriction in the preceding clause of this Section 6.1 (regarding Cellular Semiconductor Products) will not apply, and Analog will be deemed licensed to use and exploit the patents under the license as stated above but without restraint; the patents referred to are: US patents 5,886,589, 6,107,889, 6,194,958, 6,525,606 and 7,199,698 as well as the US patent application entitled "Phase locked loop bandwidth calibration circuit and method thereof" by inventors Balboni, Palmer and Strange and published as published application 20,050,073,369 together with US and foreign patents and applications that claim priority or common priority with the foregoing patents and applications.

6.2 Sublicenses. The Analog Parties may only grant sublicenses under the Transferred Intellectual Property Rights or the Transferred Technology (i) to vendors, suppliers, and customers in the ordinary course of business of design, development, manufacturing, distribution, import, and sale of Analog products or products that incorporate Analog products in accordance with the terms of the License Back and (ii) in connection with the sale, spin-off, reorganization, merger or disposition of any product line or line of business (each, a "Transaction-Connected Sublicense"). The Analog Parties may grant three Transaction-Connected Sublicenses without Licensee's consent (but must provide reasonably prompt notice to Licensee of the same) and thereafter, with Licensee's consent, not to be unreasonably refused. Transaction-Connected Sublicenses under this Section 6.2 may only be granted in a bona fide transaction not designed for the purpose of immunizing the grantee from the assertion of the Transferred IP Rights by Licensee. Each grantee of such a Transaction-Connected Sublicense may grant one Transaction-Connected Sublicense without Licensee's consent (but must provide reasonably prompt notice to Licensee of the same) subject, in all other respects, to the foregoing terms and conditions. No Transaction-Connected Sublicense may be granted except as provided above. Every sublicense under this Section 6.2 shall not include (and shall expressly exclude) any and all rights with regard to Cellular Semiconductor Products and moreover shall be subject to terms at least as restrictive as those described in Exhibit E-2. Each grantee under a sublicense under this Section 6.2 will have the right to transfer the sublicense in connection with the transfer, sale or other disposition of all or substantially all of the assets of the grantee. For clarification, the provisions set forth in this Section 6.2 shall not limit the rights of the parties under Section 14.4 of this Agreement.

6.3 Related Entities. The Analog Parties shall be entitled to exercise the licenses granted hereunder through Related Entities; provided that (a) each such Related Entity consents in writing to be bound by this Agreement, and (b) any such exercise shall cease immediately if such entity ceases to be a Related Entity. Analog shall remain responsible for any breach by a Related Entity even after such entity ceases to be a Related Entity.

6.4 Subcontractors. Subject to the terms and conditions of this Agreement, including without limitation, the Analog Parties retaining responsibility for any breach of this Agreement, and the requirements of Section 9, the Analog Parties may employ subcontractors in connection with the exercise of licenses granted hereunder.

6.5 Analog Modifications. Analog Modifications, as defined below, (with respect to Intellectual Property therein created by or for one or more of the Analog Parties) shall belong solely to the respective Analog Parties; provided that this Section 6.5 grants no license, permission or immunity with respect to Analog Modifications beyond or in addition to the license grants stated in this Agreement that may otherwise apply. **"Analog Modification"** means a change in, subtraction from or addition to the Transferred Technology made in the course of the creation of modifications or derivatives pursuant to license grants in Section 6 of this Agreement. The meaning of Analog Modification will be interpreted in accordance with and guided by with the examples set forth on Appendix K.

6.6 Additional Restriction. The Analog Parties agree not to (1) procure for others to use any Transferred Technology or Transferred Intellectual Property for the purposes of developing technology or products which work around Licensee's rights in intellectual property licensed hereunder; or (2) use, or procure for others to use, any Transferred Technology or Transferred Intellectual Property for the purposes of challenging the validity of Transferred Intellectual Property licensed hereunder, Licensee's rights therein, or in connection with any action or request for cancellation or re-examination of the same or otherwise.

**7. Non-Assertion**.

7.1 Licensee hereby covenants that, with respect to any of the Licensee's patents whose priority date or whose date of acquisition by Licensee falls within the first 7 years following the Effective Date and that claim any Improvement of the Analog Technology, Licensee shall not assert against the Analog Parties or any of their Related Entities, each permitted assign, or each permitted sublicensee under a Transaction-Connected Sublicense or any of their agents, suppliers, contractors, fabricators, distributors, resellers, customers, or vendees, direct or indirect, any claims for infringement under such patent rights based upon the manufacture, use, sale, offer for sale, or import of any product made or sold by or for the Analog Parties and/or their respective Subsidiaries, each permitted assign, or each permitted sublicensee under a Transaction-Connected Sublicense (except, in each case, as a response to a claim, or threatened claim, initiated by the Analog Parties or any of their Related Entities or permitted assign, or permitted sublicensee under a Transaction-Connected Sublicense, regardless of whether such response is in the same case or another case), to the extent such activity would have been authorized by the Licensee under the license grant of Section 6.1 were such patent rights included in the Transferred Intellectual Property Rights.

7.2 The Analog Parties hereby covenant that, with respect to any of their patents whose priority date or whose date of acquisition by Licensee falls within the first 7 years following the Effective Date and that claim any Improvement of the Transferred Technology, they shall not assert against the Licensee or any of its Related Entities, each permitted assign, or each permitted sublicensee under a Licensee Transaction-Connected Sublicense or any of their agents, suppliers, contractors, fabricators, distributors, resellers, customers, or vendees, direct or indirect, any claims for infringement under such patent rights based upon the manufacture, use, sale, offer for sale, or import of any product made or sold by or for the

Licensee and/or its Subsidiaries, each permitted assign, or each permitted sublicensee under a Licensee Transaction-Connected Sublicense (except, in each case, as a response to a claim, or threatened claim, initiated by the Licensee or any of its Related Entities, each permitted assign, or each permitted sublicensee under a Licensee Transaction-Connected Sublicense, regardless of whether such response is in the same case or another case), to the extent such activity would have been authorized by the Analog Parties under the license grant of Section 2.1 were such patent rights included in the Licensed Patents.

**8. Delivery**. The Analog Parties will deliver and disclose to Licensee all of the Analog Technology and Documentation applicable to the grants set forth in Section 2.1, in accordance with the Purchase and Sale Agreement.

**9. Confidentiality**.

9.1 Obligation. Except as expressly provided by this Section 9, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures commensurate with the measures that such party applies to its own like information, but not less than a reasonable degree of care, to prevent unauthorized disclosure and use of the Confidential Information. The period of confidentiality shall be perpetual with respect to each party's Confidential Information, until and unless such information:

(a) is known to and has been reduced to tangible form by the receiving party as evidenced by written documentation prior to its receipt; provided, that such information is not already subject to any obligations of confidentiality;

(b) is publicly available at the time of receipt or later becomes part of the publicly available without breach of the confidentiality obligations in this Agreement;

(c) is received from a third party without any breach of any obligation of confidentiality in respect of such information; or

(d) is independently developed by either party without use of the other party's Confidential Information as evidenced by written documentation.

9.2 Condition to Permitted Disclosures. In exercising the License, Licensee will not disclose any Confidential Information included in the Analog Technology to third parties as permitted under Sections 9.3, 9.4, 9.5, or 9.6, unless the third party is bound by confidentiality obligations with respect to such information as restrictive as the provisions of this Agreement. In exercising the License Back, the Analog Parties will not disclose any Confidential Information included in the Transferred Technology to third parties as permitted under Sections 9.3, 9.4, 9.5, or 9.6, unless the third party is bound by confidentiality obligations with respect to such information as restrictive as the provisions of this Agreement.

9.3 Disclosure to Related Entities. Licensee may make disclosures of Confidential Information included in the Analog Technology to Related Entities in accordance with Section 9.2 for the purpose of exercising the License through Related Entities as permitted under Section 2.5. The Analog Parties may make disclosures of Confidential Information included in the Transferred Technology to Related Entities in accordance with Section 9.2 for the purpose of exercising the License Back through Related Entities as permitted under Section 6.3.

9.4 Disclosures to Subcontractors. Licensee may make disclosures of Confidential Information applicable to Analog Technology to its subcontractors in accordance with Section 9.2 to the extent that Licensee wishes to use subcontractors as permitted by Section 2.6. The Analog Parties may make disclosures of Confidential Information applicable to Transferred Technology to its subcontractors in accordance with Section 9.2 to the extent that an Analog Party wishes to use subcontractors as permitted by Section 6.4.

9.5 Disclosures to Customers. Licensee may make disclosures of Confidential Information applicable to the subject matters authorized under Section 2.3 to its customers in accordance with Section 9.2 and to its sublicensees (to the extent permitted under Section 2.3 and under any applicable Appendix) in accordance with Section 9.2. The Analog Parties may make disclosures of Confidential Information applicable to Transferred Technology to their customers in accordance with Section 9.2 and to their sublicensees (to the extent permitted under Section 6.2) in accordance with Section 9.2.

9.6 Other Permitted Disclosures. Either party may disclose Confidential Information received from the other party in the following circumstances:

(a) disclosure to the extent that the Confidential Information is required to be disclosed pursuant to a court order or as otherwise required by law including but not limited to securities laws; provided, that the party required to make the disclosure promptly notifies the other party upon learning of such requirement (to the extent not otherwise prohibited by law) and has given the other party a reasonable opportunity to contest or limit the scope of such required disclosure (including but not limited to making an application for a protective order);

(b) disclosure as reasonably necessary to grant sublicenses as permitted herein;

(c) disclosure to the receiving party’s legal counsel, accountants or professional advisors under an obligation of confidentiality to the extent necessary for them to advise on the interpretation or enforcement of this Agreement; or

(d) disclosure, solely with respect to the terms and conditions of this Agreement, in furtherance of a proposed sale, acquisition, or merger of substantially all of the party's business interests related to this Agreement as long as such disclosure is made under a duty of confidentiality.

9.7 Residuals. The parties acknowledge that employees of the Licensee may retain Residuals. Licensee may use Residuals resulting from access to or work with the Analog Technology, provided that Licensee has consistently complied with the confidentiality and nondisclosure provisions of this Agreement and the Purchase and Sale Agreement. However, this Section shall not grant to Licensee any license or immunity, express or implied, under any patent or copyright of the Analog Parties not otherwise licensed in this Agreement, nor shall it be read to expand the scope of any license granted in this Agreement.

**10**A. Compliance Verification Procedure by Analog

10.1 During the first two years of the Term, on no more than three (3) occasions during such period, Analog and its representatives shall have the right to carry out, and Licensee will have an obligation to cooperate with, the following procedures to determine Licensee's compliance with the terms of this Agreement regarding Licensee's permitted use of the Analog Technology and confidentially as required by the is Agreement (the "Analog Compliance Topics"). Each such procedure shall be a "Compliance Review."

10.2 At its place of business, Licensee will make available for interview (each an "Analog Compliance Interview"), on no less than 30 calendar days' prior written notice during normal business hours, senior engineers or managers directly involved in the use of the Analog Technology ("Licensee Senior Staff Member") as identified and requested by Analog. Analog may require no more than five (5) such Licensee Senior Staff Members in each Compliance Review. Such identification and request may be by name or by title or function. Analog will provide no less than 10 calendar days' in advance a good faith list of topics for discussion, but may obtain information on any matter reasonably relevant to the Analog Compliance Topics.

10.3 Licensee will be required to cause such Licensee Senior Staff to provide responsive information in each Compliance Interview with regard to matters relevant to the Analog Compliance Topics. Licensee, at its option, may have other persons present at each Compliance Interview.

10.4 Senior Staff will be made available separately or together, as Analog may request, but in any case, Licensee will not be obligated to provide each Licensee Senior Staff Member for longer than one full business day in any one Analog Compliance Interview for each Compliance Review.

10.5 The language of each Analog Compliance Interview will be English, provided that, by notice no less than 30 calendar days in advance, Licensee may require that the Analog Compliance Interview be in the Licensee Senior Staff Member's preferred language.

10.6 Each party, at its option, may record each Analog Compliance Interview by electronic means and obtain copies of any documentation provided.

10.7 Any information provided pursuant to any audit performed in accordance with the provisions of this Section 10 shall be treated as Confidential Information of the party providing the same. Each party will bear its own costs of each Analog Compliance Review. Licensee may require any Analog representative to sign a reasonable confidentiality agreement consistent with this Section.

10B. Compliance Verification Procedure by Licensee

10.1 During the first two years of the Term, on no more than three (3) occasions during such period, Licensee and its representatives shall have the right to carry out, and the Analog Parties will have an obligation to cooperate with, the following procedures to determine their compliance with the terms of this Agreement regarding the Analog Parties' permitted use of the Transferred Technology and confidentially as required by the is Agreement (the "Licensee Compliance Topics.").

10.2 At its place of business, Analog will make available for interview (each an "Licensee Compliance Interview"), on no less than 30 calendar days' prior written notice during normal business hours, senior engineers or managers directly involved in the use of the Transferred Technology ("Analog Senior Staff Member") as identified and requested by Licensee. Licensee may require no more than five (5) such Analog Senior Staff Members in each Compliance Review. Such identification and request may be by name or by title or function. Licensee will provide no less than 10 calendar days' in advance a good faith list of topics for discussion, but may obtain information on any matter reasonably relevant to the Licensee Compliance Topics.

10.3 Analog will be required to cause such Senior Staff to provide responsive information in each Compliance Interview with regard to matters relevant to the Licensee Compliance Topics. Analog, at its option, may have other persons present at each Compliance Interview.

10.4 Analog Senior Staff will be made available separately or together, as Licensee may request, but in any case, Analog will not be obligated to provide each Senior Staff Member for longer than one full business day in any one Licensee Compliance Interview for each Compliance Review.

10.5 The language of each Licensee Compliance Interview will be English, provided that, by notice no less than 30 calendar days in advance, Analog may require that the Licensee Compliance Interview be in the Analog Senior Staff Member's preferred language.

10.6 Each party, at its option, may record each Licensee Compliance Interview by electronic means and obtain copies of any documentation provided.

10.7 Any information provided pursuant to any audit performed in accordance with the provisions of this Section 10 shall be treated as Confidential Information of the party providing the same. Each party will bear its own costs of each Licensee Compliance Review. Analog may require any Licensee representative to sign a reasonable confidentiality agreement consistent with this Section.

**11. Warranties; Disclaimers.**

11.1 By Analog. Analog represents and warrants to Licensee that: (a) each of Analog and Analog B.V. are corporations duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and The Netherlands, respectively; (b) each of Analog and Analog B.V. has all necessary corporate power and authority to execute and deliver this Agreement and perform its respective obligations hereunder; (c) this Agreement constitutes a valid and binding obligation of the Analog Parties and, in the event of any exercise under Section 6.3, the Related Entities of the Analog Parties; and (d) this Agreement is enforceable against the Analog Parties and, in the event of any exercise under Section 6.3, the Related Entities of the Analog Parties, in accordance with its terms.

11.2 By Licensee. Licensee represents and warrants to the Analog Parties that: (a) Licensee is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) Licensee has all necessary corporate power and authority to execute and deliver this Agreement and perform its obligations hereunder; (c) this Agreement constitutes a valid and binding obligation of Licensee and, in the event of any exercise under Section 2.5, the Licensee Related Entities; and (d) this Agreement is enforceable against Licensee and, in the event of any exercise under Section 2.5, the Licensee Related Entities, in accordance with its terms.

11.3 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 11.1 OR AS MAY OTHERWISE BE PROVIDED UNDER THE PURCHASE AND SALE AGREEMENT, THE ANALOG PARTIES DISCLAIM ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH REGARD TO THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE ANALOG PARTIES DISCLAIM (EXCEPT AS MAY OTHERWISE BE PROVIDED UNDER THE PURCHASE AND SALE AGREEMENT) (A) ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE SCOPE, COVERAGE, VALIDITY OR ENFORCEABILITY OF ANY PATENTS OR PATENT APPLICATIONS OR ANY OTHER INTELLECTUAL PROPERTY OF THE ANALOG PARTIES; AND (B) ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH REGARD TO ANY ANALOG TECHNOLOGY OR INTELLECTUAL PROPERTY OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO, ANY INFRINGEMENT OR MISAPPROPRIATION OF ANY INTELLECTUAL

PROPERTY OF ANY THIRD PARTY AND ANY IMPLIED WARRANTY OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE). FURTHER, THE ANALOG PARTIES MAKE NO REPRESENTATION OR WARRANTY THAT ANY LICENSED PRODUCT CAN BE USED, MADE, SOLD OR IMPORTED WITHOUT INFRINGING THE INTELLECTUAL PROPERTY OF A THIRD PARTY.

**12. Indemnity**.

12.1 Indemnification by Licensee. Except to the extent Licensee is entitled to indemnification under Article VI of the Purchase and Sale Agreement, Licensee undertakes to fully defend, indemnify, and hold the Analog Parties, their Related Entities and their respective employees, officers, directors, and consultants (the "**Analog Indemnified Parties**") harmless from and against any claim that actually or allegedly is based upon or arise from:

(i) Any unlicensed or unauthorized use or exploitation of Analog Technology or the Analog Intellectual Property;

(ii) The infringement of any third party Intellectual Property right (except for third party Intellectual Property embodied in or reasonably necessary for use of the Analog Technology or the Transferred Technology) by any Licensed Product or its sale, offer for sale, manufacture, import, export, reproduction, display, distribution, modification, creation of derivative works from, production or use;

(iii) Failure by Licensee or its sublicensees or any customer of either to obtain licenses or permissions regarding any third party Intellectual Property with regard to a Licensed Product (except for third party Intellectual Property which is embodied in or reasonably necessary for use of the Analog Technology or the Transferred Technology);

(iv) Any claim of infringement and/or misuse of intellectual property with regard to a Licensed Product to the extent arising out of or resulting from (i) the combination of the Analog Technology and/or the Transferred Technology (each or both, the "Supplied Technology") together with other technology if such infringement would not have occurred without the combination, to the extent of such combination; (ii) the modification of the Supplied Technology if such infringement would not have occurred without the modification, to the extent of such modification; (iii) any process of manufacturing or fabrication used or applied to the extent that such infringement would not have occurred without such process, to the extent of the application of such process;

(v) Failure by Licensee or its sublicensees or any customer of either to comply with any applicable laws;

(vi) Any product liability claim or product defect with respect to any Licensed Product;

(vii) Any injury, death or damage to property resulting from or caused by any Licensed Product; and

(viii) All other claims and demands resulting or alleged to result from the Licensed Products, their contents or deficiencies or the use or operation of the Licensed Products, the License or the exercise thereof.

12.2 Indemnification by Analog Parties. The Analog Parties undertake to fully defend, indemnify, and hold Licensee and its employees, officers, directors, and consultants (the "**Licensee Indemnified Parties,**" and, together with the Analog Indemnified Parties, the "**Indemnified Parties**") harmless from and against any claim that actually or allegedly is based upon or arise from:

(i) Any unlicensed or unauthorized use or exploitation of Transferred Technology or the Transferred Intellectual Property Rights;

(ii) The infringement of any third party Intellectual Property right by any product made by the Analog Parties, their Related Entities or their respective sublicensees utilizing the Transferred Technology or Transferred Intellectual Property (an "**Analog Product**"), or the sale, offer for sale, manufacture, import, export, reproduction, display, distribution, modification, creation of derivative works from, production or use of any such Analog Products;

(iii) Failure by the Analog Parties, their Related Entities, their respective sublicensees or any customers of any of the foregoing to obtain licenses or permissions regarding any third party Intellectual Property with regard to an Analog Product;

(iv) Any claim of infringement and/or misuse of intellectual property with regard to an to Analog Product to the extent arising out of or resulting from: (i) the combination of the Transferred Technology together with other technology if such infringement would not have occurred without the combination, to the extent of such combination; (ii) the modification of the Transferred Technology if such infringement would not have occurred without the modification, to the extent of such modification; (iii) any process of manufacturing or fabrication used or applied to the extent that such infringement would not have occurred without such process, to the extent of the application of such process;

(v) Failure by the Analog Parties, their Related Entities, their respective sublicensees or any customers of any of the foregoing to comply with any applicable laws;

(vi) Any product liability claim or product defect with respect to any Analog Product;

(vii) Any injury, death or damage to property resulting from or caused by any Analog Product; and

(viii) All other claims and demands resulting or alleged to result from the Analog Products, their contents or deficiencies or the use or operation of the Analog Products, the License Back or the exercise thereof.

12.3 Indemnification Procedures. The Indemnified Parties shall provide written notice to the party from whom indemnification is sought (the "**Indemnitor**") of any claim within thirty (30) days after such claim is asserted in writing or by legal action against the party claiming indemnification. Failure by the Indemnified Parties to so notify the Indemnitor shall not relieve the Indemnitor from any obligation that the Indemnitor would otherwise have pursuant to this Agreement except to the extent that the Indemnitor has been materially prejudiced by such failure to so notify. The Indemnified Parties shall furnish to the Indemnitor, on request, non-privileged information reasonably available to the Indemnified Parties for such defense. The Indemnitor may elect to have sole control of the defense and settlement of such claim, except that the Indemnitor shall not enter into any agreement, agreed order, consent judgment, or the like which is binding on the Indemnified Parties without the consent of the Indemnified Parties. However, the Indemnitor can settle the claim without the consent of the Indemnified Parties so long as a full and unconditional release is provided to the Indemnified Parties and no agreed order, consent judgment, admission of fault, or the like is entered to the prejudice of the Indemnified Parties. Notwithstanding the election of the Indemnitor to assume the defense and investigation of such claim, the Indemnified Parties shall have the right to employ separate counsel and participate in the defense and investigation of such claim at their sole cost.

**13. Term; Termination**.

13.1 Term. The term of this Agreement, the License, and all other rights and grants will commence on the Effective Date and (except for the shorter license terms established herein) will continue in perpetuity, unless sooner terminated as provided in this Section 13 ("**Term**").

13.2 Termination. Either party may terminate this Agreement immediately by written notice if the other party commits any material breach of this Agreement and within 30 days after the non-breaching party gives written notice of such breach, (i) the breaching party either fails to cure such breach or fails to implement reasonable steps to cure such breach or (ii) if such breach is not capable of cure, fails to implement reasonable steps to prevent any similar future breach from occurring in the future.

13.3 Partial Termination. The License set forth in Section 2.1(a) shall automatically terminate effective on the termination date of the M2181 Synthesizable RTL Sublicense Agreement to the extent that the grant set forth in Section 2.1(a) requires, or is facilitated by, the rights covered by the M2181 Synthesizable RTL Sublicense Agreement. This Agreement and all grants, other than under Section 2.1(a), shall continue in full force and effect except as otherwise set forth on Appendix A attached hereto.

13.4 Effect of Termination on License and License Back. If this Agreement is terminated in accordance with the provisions of this Section 13, (i) the License or License Back (as the case may be) of the breaching party shall terminate immediately upon the fulfillment of all then existing product orders and the sale of all existing product inventory and (ii) the License or License Back (as the case may be) of the non-breaching party shall continue in full force and effect.

13.5 Survival. Upon the termination of this Agreement for any reason, the parties' respective rights and obligations arising out of any breach of or default under this Agreement during the Term will survive subject to the terms hereof. The following provisions: shall survive the termination of this Agreement: Sections 1 (Definitions); 4 (Compliance with Laws); 5 (Proprietary Rights), 7 (Non-Assertion); 9 (Confidentiality); 10A and 10B (Compliance Verification Procedure); 11 (Warranties and Disclaimers); 12 (Indemnity); 13.4 (Effect of Termination on License and License Back); 13.5 (Survival); and 14 (Miscellaneous) together with those provisions that apply to any surviving License or License Back or the conduct of the parties with respect thereto.

**14. Miscellaneous**.

14.1 Specific Performance; Injunctive Relief. Each party acknowledges that the other party may be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are beached. Accordingly, notwithstanding any dispute resolution provision of the Purchase and Sale Agreement, each party will be entitled to specific performance of the terms and provisions of this Agreement, and shall be entitled to temporary or permanent injunctive relief to prevent any breach or continuing breach of this Agreement.

14.2 Limitation of Liability**. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY HERETO FOR ANY CLAIM, WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE, FOR ANY INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR FOR ANY LOST PROFITS OR LOST BUSINESS.**

14.3 Notices. All notices and other communications hereunder will be in writing and will be deemed given if delivered personally, by registered or certified mail, return receipt requested and postage prepaid (receipt verified) or by nationally recognized overnight courier service (receipt verified), to the parties at the following addresses (or at such other address for a party as may be specified by notice provided hereunder):

To Licensee:

Attn.: ______________________

To Analog and Analog B.V: One Technology Way<br>P.O. Box 9106<br>Norwood, MA 02062-9106

Attn.: General Counsel

All such notices and communications will be deemed effective when received as evidenced by the delivery receipt.

14.4 Successors and Assigns. Neither Licensee nor the Analog Parties shall transfer or assign (whether voluntarily, involuntarily, in the event of merger, acquisition or sale, by operation of law or otherwise) the License, this Agreement or any of its or their rights or obligations under this Agreement, without the prior written consent of Analog (in the case of an assignment by Licensee) or Licensee (in the case of an assignment by Analog); provided that such consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, this Agreement, and all rights, interests and obligations hereunder, may be assigned (whether voluntarily, involuntarily, in the event of merger, acquisition or sale, by operation of law or otherwise), without such consent, (i) to any Related Entity of any party, or any entity that acquires all or substantially all of the Analog Parties' business and assets, on the one hand, or all or substantially all of Licensee's business and assets, on the other hand, or (ii) in connection with a merger, acquisition or sale of all or substantially all of the Acquired Business (i.e. other than in connection with a transaction covered by clause (i) above), to any party not listed on Appendix H attached hereto; provided, that the restriction set forth in this subsection (ii) shall expire on the fourth (4th) anniversary of the Effective Date. Such Appendix may be amended from time to time by Analog with the prior written consent of Licensee; provided, that such consent shall not be unreasonably withheld or delayed.

No assignment or other transfer by a party, with or without the consent of the other parties, will relieve or release such party from any of its obligations under this Agreement. Subject to the foregoing restriction on assignments or transfers, this Agreement will be binding upon, inure to the benefit of, and be enforceable by each of the parties and their respective successors, assigns, and transferees. Any purported action in violation of this Section 14.4 will be null and void and of no force or effect.

14.5 Governing Law. This Agreement and any disputes hereunder shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of New York. The UN Convention on Contracts for the International Sale of Goods shall not apply.

14.6 Dispute Resolution. Any dispute, controversy or claim arising out of or relating to this Agreement, including as to formation, interpretation, breach or termination thereof, and including whether the claims asserted are arbitrable will be decided under the provision of paragraph 12.11 of the Purchase and Sale Agreement as if such agreement were set forth in full in this Agreement.

14.7 Severability. If any provision of this Agreement is determined to be invalid or unenforceable by any court of competent jurisdiction, such finding shall not invalidate the remainder of this Agreement which shall remain in full force and effect as if the provision(s) determined to be invalid or unenforceable had not been a part of this Agreement. In the event such finding of invalidity or unenforceability, the parties will substitute forthwith the invalid or unenforceable provision(s) by such effective provision(s) as will most closely correspond with the original intention of the provision(s) so voided.

14.8 Headings. The headings and captions set forth in this Agreement are for convenience only and shall not be given interpretive effect.

14.9 No Waiver. Neither the failure nor the delay of a party to enforce any provision of this Agreement shall constitute a waiver of such provision or of the right of a party to enforce each and every provision of this Agreement.

14.10 Entire Agreement. This Agreement constitutes the entire agreement and supersedes any and all prior and contemporaneous agreements and understandings, oral or written, between the parties with regard to the subject matter hereof. Notwithstanding any cross reference to the Purchase and Sale Agreement, (a) nothing of this Agreement shall supersede any provision of the Purchase and Sale Agreement under which this Agreement is identified as an ancillary agreement, and (b) this Agreement remains severable and distinct from the Purchase and Sale Agreement. No amendment, modification or waiver of any provision of this Agreement will be valid unless set forth in a written instrument signed by the party to be bound thereby.

14.11 Counterparts. This Agreement may be executed in several counterparts, each of which shall be considered an original and which together will be considered one and the same agreement.

14.12 Omitted Material. In the event that any technology or intellectual property licensed hereunder is not delivered on the Effective Date, the management of the Acquired Business may, at anytime after the Effective Date, contact the Vice President of Analog's Digital Signal Processing Systems Division to identify the omitted technology or intellectual property and the provision under which it was licensed, and Analog shall promptly arrange for the delivery to Licensee of the omitted technology or intellectual property.

IN WITNESS WHEREOF, the parties have entered into this License Agreement as of the date first set forth above.

Analog:

**Analog Devices, Inc.**

By ______________________________
Printed Name ______________________________
Title ______________________________

**Analog Devices B.V.**

By ______________________________
Printed Name ______________________________
Title ______________________________

Licensee:

**MediaTek, Inc.**

By ______________________________
Printed Name ______________________________
Title ______________________________

**EXHIBIT 10.2**

**ANALOG DEVICES, INC.**
**AMENDED AND RESTATED DEFERRED COMPENSATION PLAN**

**Amendment No. 1**

The Amended and Restated Deferred Compensation Plan (the “Plan”) of Analog Devices, Inc. is hereby amended as follows:

Effective January 1, 2007, Section 4.2 of the Plan is hereby amended and restated in its entirety to read as follows:

**“4.2 Crediting Deferred Compensation and Company Contribution Amounts.**

The amount of Compensation subject to a Deferral Election under Section 4.1 shall be credited by the Employer to the Participant’s Deferral Account periodically, the frequency of which will be determined in accordance with the Administrative Procedures. To the extent that the Employer is required to withhold any taxes or other amounts from a Participant’s deferred Compensation pursuant to any state, federal or local law, such amounts shall be withheld from the Participant’s compensation before such amounts are credited.

Effective January 1, 2007, for each deferral of Compensation following the completion by the Participant of one Year of Service, as defined in TIP, the Company shall credit the Company Contribution Account of each Participant, other than a non-employee Director, with an amount equal to (a) 8% of the amount of Compensation deferred or (b) if the Participant has elected to defer 100% of his or her Compensation, 8% of the total Compensation. For purposes of this paragraph, Compensation shall exclude Company bonus but shall include sales commissions.”

* * * * *

Adopted by the Compensation Committee of the
Board of Directors on January 22, 2007.

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

**FIFTH AMENDMENT TO LEASE AGREEMENT**
(7736 McCLOUD ROAD)

THIS FIFTH AMENDMENT TO LEASE AGREEMENT (this “Fifth Amendment”) is made and entered into as of the 14th day of September, 2007, by and between **CROWN — GREENSBORO, LLC,** a Delaware limited liability company and successor landlord to Liberty Property Limited Partnership (“Landlord”), and **ANALOG DEVICES, INC.**, a Massachusetts corporation (“Tenant”):

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Office Lease dated as of November 14, 1997 (the “Original Lease”);

WHEREAS, the Original Lease has been amended by: (i) that certain First Amendment to Office Lease dated March 9, 2000 (the “First Amendment”); (ii) that certain Second Amendment to Office Lease dated March 25, 2002 (the “Second Amendment’ (iii) that certain Third Amendment to Office Lease dated June 21, 2005 (the “Third Amendment”); and (iv) that certain Fourth Amendment to Office Lease dated October 26, 2005 (the “Fourth Amendment”; the Original Lease, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and this Fifth Amendment being collectively referred to herein as the “Lease”);

WHEREAS, pursuant to the terms of the Lease, Landlord leases to Tenant that certain premises (the “Original Premises”) consisting of approximately 41,891 rentable square feet located in that certain office building and associated parking areas, access areas and other common areas located at 7736 McCloud Road, Greensboro, North Carolina 27409 (collectively, the “Building”), as same are more particularly described in the Lease;

WHEREAS, the Term is currently scheduled to expire on March 31, 2008;

WHEREAS, Landlord and Tenant now desire to enter into this Fifth Amendment for the purpose of extending the Term, expanding the Original Premises and amending other provisions of the Lease; and

WHEREAS, all defined terms used herein, as indicated by the initial capitalization thereof, shall, unless otherwise expressly defined herein, have the same meaning herein ascribed to such terms in the Lease.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Term Extension. Notwithstanding anything contained in the Lease to the contrary, the Term of the Lease with respect to the Original Premises shall be extended for an additional thirty-six (36) months, commencing on April 1, 2008 (the "Effective Date") and ending on March 31, 2011. Accordingly, all references in the Lease to the "Expiration Date" and to the last day of the Term shall be deemed and construed to mean March 31, 2011. Tenant confirms that the Original Premises is acceptable to Tenant in its "AS IS, WHERE IS" condition.

2. Expansion Space. Commencing on the later of (i) the execution of this Fifth Amendment by both Landlord and Tenant and (ii) September 1, 2007 (the "Expansion Space Effective Date"), Tenant shall also lease from Landlord the space depicted and identified as the "Expansion Space" on Exhibit 4 attached hereto, constituting approximately 5,697 rentable square feet located at 7736 McCloud Road, Greensboro, North Carolina 27409. The lease term for the Expansion Space shall be coterminous with the Term of the Lease and as such will have the same Expiration Date of March 31, 2011. The Original Premises plus the Expansion Space shall, from and after the Expansion Space Effective Date, collectively deemed to be the "Premises" under the terms of the Lease.

3. Minimum Annual Rent.

(a) Notwithstanding anything contained in the Lease to the contrary, commencing on the Effective Date, Section 2(a) of the Lease is hereby modified such that minimum annual rent for the Original Premises be payable as follows:

| Period | Base Rent PRSF | Monthly Rent | Minimum Annual Rent |
|---|---|---|---|
| 4/1/2008 — 7/31/2008 | No Rent Due | No Rent Due | No Rent Due |
| 8/1/2008 — 3/31/2009 | $16.00 | $55,854.67 | $446,837.36* |
| 4/1/2009 — 3/31/2010 | $16.48 | $57,530.31 | $ 690,363.68 |
| 4/1/2010 — 3/31/2011 | $16.97 | $59,240.86 | $ 710,890.27 |

* Represents eight (8) months of monthly minimum annual rent.

(b) In addition, commencing on the Expansion Space Effective Date, minimum annual rent for the Expansion Space shall be payable as follows:

| Period | Base Rent PRSF | Monthly Rent | Minimum Annual Rent |
|---|---|---|---|
| 9/1/2007 — 12/31/2007 | No Rent Due | No Rent Due | No Rent Due |
| 1/1/2008 — 3/31/2008 | $ 7.00 | $3,323.25 | $9,969.75* |
| 4/1/2008 — 3/31/2009 | $11.00 | $5,222.25 | $62,667.00 |
| 4/l/2009 — 3/31/2010 | $11.33 | $5,378.92 | $64,547.01 |
| 4/l/2010 — 3/31/2011 | $11.67 | $5,540.33 | $66,483.99 |

* Represents three (3) months of monthly minimum annual rent

4. Base Year and Related Provisions. From and after the Effective Date (and not with respect to any prior period), the 2008 calendar year shall be deemed the "Base Year." Accordingly, Tenant shall not be responsible for the payment of Tenant's Share of Operating

Expenses and Taxes relative to the Original Premises or the Expansion Space during that period commencing on the Effective Date and ending on December 31, 2008 (but Tenant will be responsible for the payment of Tenant's Share of Operating Expenses and Taxes through and including March 31, 2008 in accordance with the Lease relative to the Original Premises). Notwithstanding anything to the contrary contained herein, Tenant shall not be responsible for the payment of Tenant's Share of Operating Expenses and Taxes attributable to the Expansion Space until January 1, 2009.

Accordingly, for and with respect to each calendar year of the term of the Lease commencing with the year 2009, there shall be due from. Tenant as additional rent due under the Lease Tenant's Share of the excess of the Operating Expenses and Taxes for such year over the total of the Operating Expenses and Taxes for the year 2008. Such additional rent shall be computed and paid in the manner as provided for in Section 3 of the Original Lease except that the Base Year shall be 2008 and Tenant's Share of such excess Operating Expenses and Taxes shall be 66% of the total thereof.

5. Commissions. Both Landlord and Tenant each warrant and represent to the other that neither party has engaged or contracted with any person. firm or entity to serve or act as a broker, agent or finder in regard to this Fifth Amendment, other than CB Richard Ellis and Hagan Properties (collectively, the "Broker"). Landlord agrees to be solely responsible for the payment of any commission to the Broker relating to this Fifth Amendment pursuant to a separate agreement(s) between Landlord and the Brokers Tenant shall and does hereby indemnify and hold harmless Landlord from and against any claim for any consulting fee, finder's fee, commission, or like compensation, including reasonable attorneys' fees in defense thereof, payable in connection with this Lease and asserted by any party arising out of any act or agreement by Tenant, excluding the commission payable by Landlord to the Broker as described above. Landlord shall and does hereby indemnify and hold harmless Tenant from and against any claim for any consulting fee, finder's fee, commission, or like compensation, including reasonable attorneys' fees in defense thereof, payable in connection with this Lease and asserted by any party arising out of any act or agreement by Landlord (including the commission payable by Landlord to the Broker as described above).

6. Tenant Improvements. Tenant acknowledges and agrees that Landlord has no obligation to construct any improvements or perform any work or other modifications or alterations to the Expansion Space in connection with this Fifth Amendment or otherwise. Accordingly, Tenant shall accept the Expansion Space on the Expansion Space Effective Date in its "AS IS, WHERE IS" condition. Notwithstanding the foregoing, within thirty (30) days following the Expansion Space Effective Date, Landlord, at Landlord's sole cost and expense, shall contract to have a mechanical contractor balance the HVAC system serving the Expansion Premises.

7. Option to Extend Lease Term.

(a) Extension Procedure. Subject to Subsection (d) of this Paragraph 7, Tenant shall be entitled to extend the Term for one (1) additional two (2) year period (the "Extension Term"). The Extension Term, if exercised by Tenant hereunder, shall commence as of the end of the

Term. In the event Tenant desires to exercise the Extension Term, Tenant shall so notify Landlord in writing (an "Extension Notice") not later than the date that is one hundred eighty (180) days prior to the Expiration Date.

(b) Base Rental Applicable During Extension Term. In the event Tenant timely delivers an Extension Notice to Landlord pursuant to Subsection (a) above, the minimum annual rent applicable under the Lease during the Extension Term shall be the Fair Market Base Rental (as defined below) of the Premises for the Extension Term. As used herein, "Fair Market Base Rental" shall mean an amount equal to the full-service base rental rate being charged (as of the date which is six (6) months prior to the expiration of the Term for professional. office space comparable in size and location to the Premises in buildings similar to the Building in the Greensboro, North Carolina, suburban market where the Building is located, taking into consideration all relevant factors, including, without limitation, tenant improvement allowances, leasing commissions (or the absence thereof), rental escalations and rent concessions (if applicable) and any recalculation of the Base Years Within ten (10) business days after Landlord's receipt of the Extension Notice from Tenant, Landlord Shall submit to Tenant a proposal for the Fair Market Base Rental prepared by Landlord in good faith and Landlord shall deliver written notice of such Fair Market Base Rental proposal to Tenant (the "Fair Market Base Rental Notice"). if Tenant disagrees, in good faith, with the Fair Market Base Rental contained in the Fair Market Base Rental Notice, Landlord and Tenant shall, within thirty (30) days following the expiration of the aforementioned ten (10) business day period, use good faith efforts to reach agreement regarding the Fair Market Base Rental rate that will apply during the Extension Term. Provided, however, and notwithstanding any terms or provisions in this Paragraph 7 or the Lease to the contrary, if Landlord and Tenant fail to reach agreement regarding the Fair Market Base Rental that shall be applicable during the Extension Term and to document such agreement in the form of a fully-executed amendment to the Lease on or before the thirtieth (30th) day following the expiration of the aforementioned ten (10) business day period, then (i) Tenant may rescind the Extension Notice, whereupon the Lease shall continue in full force and effect as if Tenant had not delivered the Extension Notice to Landlord or (ii) the Fair Market Base Rental applicable during the Extension Term shall be determined subject to the following terms and provisions:

(1) Within ten (10) business days after the expiration of the thirty (30) day period referenced above in this Paragraph 7(b), Landlord shall give notice to Tenant of the name and address of the person who will serve as the broker on Landlord's behalf ("Landlord's Broker Notice"). The broker designated by Landlord in Landlord's Broker Notice shall be a real estate broker with at least ten (10) years full-time commercial brokerage experience who is a member in good standing of the Greensboro Region Commercial Board of Realtors (or its equivalent, is familiar with the Fair Market Base Rental rate applicable to first-class professional office space in the area where the Building is located, and who is not affiliated in any manner with Landlord or Tenant Within ten (10) business days after the service on Tenant of Landlord's Broker Notice, Tenant shall give written notice to Landlord specifying the name and address of the person designated by Tenant to serve as the broker on Tenant's behalf, which broker shall be subject to the same qualification requirements as apply to the broker selected by Landlord.

(2) The two brokers so chosen shall meet within ten (10) business days after the second broker is appointed and together shall appoint a third broker, who shall be a competent and impartial person who satisfies the same qualification requirements as apply to the brokers selected by Tenant and Landlord under Paragraph 7(b)(1) above. if the first two brokers are unable to agree upon such appointment of the third broker within five (5) business days after the expiration of the ten (10) business day period, the third broker shall be selected by the parties themselves and if the parties can not so agree, then either party, on behalf of both., may request appointment of such a qualified person by the then-president of the Greensboro Region Commercial Board of Realtors (or its equivalent). The three brokers shall decide the dispute, if it has not been previously resolved, by following the procedures set forth in Paragraph 7(b)(3) below.

(3) The Fair Market Base Rental for the Extension Term shall be deter- mined by the three brokers in accordance with the following procedures: Each of the two brokers selected by the parties shall state, in writing, such broker's determination of the Fair Market Base Rental for the Extension Term supported by the reasons therefor and shall make counterpart copies of such determination for each of the other brokers, subject to the requirement that the proposals of the brokers as to the Fair Market Base Rental each shall be structured to contemplate annual increases (which may be zero) in the minimum annual rent rate during the Extension Term The brokers shall arrange for a simultaneous exchange of their proposals and the role of the third broker shall be to select whichever of the two proposals most closely approximates the third broker's own determination of Fair Market Base Rental for the Extension Term. The third broker shall have no right to propose a middle ground or any modification of either of the two (2) proposals. The resolution the third broker chooses as that most closely approximating the third broker's determination of the Fair Market Base Rental shall constitute the decision of the brokers and shall he final and binding upon the parties.

(4) In the event of a failure, refusal, or inability of any broker to act, the broker in question shall appoint a successor for himself or herself, but in the case of the third broker, a successor shall be appointed in the same manner as set forth herein with respect to the appointment of the original third broker.

(5) The brokers shall attempt to decide the issue within ten (10) business days after the appointment of the third broker but, in any event, within twenty (20) business days after the appointment of the third brokers Notwithstanding the other provisions in this Paragraph 7(b) if the proposal of the broker appointed by Landlord and the proposal of the broker appointed by Tenant are identical, such proposal shall be binding and conclusive upon the parties. Each party shall pay the fees and expenses of its respective broker and both shall share equally the fees and expenses of the third broker.

(6) The brokers shall have the right to consult experts and competent authorities for factual information or evidence pertaining to a determination of the Fair Market Base Rental. The brokers shall render their decision in writing with counterpart copies to each party. The brokers shall have no power to modify the provisions of the Lease or any exhibit thereto.

(c) Other Terms and Provisions Applicable During Extension Term. Other than the minimum annual rent that shall apply during the Extension Term (which shall be determined as provided herein above in this Paragraph 7), all other terms and provisions in the Lease shall be fully applicable during the Extension Term. Accordingly, with regard to the Extension Term (if timely exercised by Tenant pursuant to this Paragraph 7), all references in the Lease to the "Term" or the "Lease Term" shall thereafter be construed to include and encompass the Extension Term. If Tenant fails to timely exercise the Extension Term pursuant this Paragraph 7, then Tenant shall be deemed to have waived its right to exercise the Extension Term and no extension term of any kind shall thereafter remain under the Lease.

(d) Conditions Precedent to Exercise. In no event shall Tenant be entitled to exercise its rights pursuant to this Paragraph 7 to extend the Term if (i) Tenant is then in default under the terms of the Lease beyond any applicable notice and cure period afforded to Tenant under the terms of the Lease or if any event or circumstance then exists which, with the lapse of time with- out being cured, will constitute a default by Tenant under the terms of the Lease; (ii) Tenant has then assigned this Lease or sublet the Premises; or (iii) Tenant is not then occupying the Premises.

(e) Time is of the Essence. TIME IS OF THE ESSENCE WITH RESPECT TO EACH OF TENANT'S OBLIGATIONS UNDER THIS PARAGRAPH 7.

(f) No Other Renewal Options. The renewal option described in this Paragraph 7 is Tenant's only remaining renewal option under the terms of the Lease, notwithstanding anything in the Lease to the contrary.

8. Holding Over. Notwithstanding anything contained in the Lease to the contrary, as of the date hereof, Section 11 of the Lease is hereby deleted in its entirety and replaced with the following:

"If Tenant retains possession of the Premises or any part thereof beyond the Expiration Date, tenancy shall continue at sufferance on a month-to-month basis and Tenant Shall pay to Landlord minimum annual rent during such holdover period as follows:

(a) For the first six (6) months after the Expiration Date: at a rate of one hundred five percent (105%) of the minimum annual rent amount in effect as of the Expiration Date.

(b) For the seventh (7th) through twelfth (12th) month following the Expiration Date: at a rate of one hundred ten percent (110%) of the minimum annual rent amount in effect as of the Expiration Date.

(c) For any additional hold over time thereafter up to no later than twenty-four (24) months following the Expiration Date: at a rate of one hundred twenty-five percent (125%) of the minimum annual rent amount in effect as of the Expiration Date.

The provisions of this Section 11 do not exclude the Landlord's rights of re-entry or any other right hereunder. Should Tenant retain possession of the Premises or any part thereof beyond the time period described in Subsection 11(c) above, Tenant shall pay to Landlord minimum annual rent at a rate of two hundred percent (200%) of the minimum annual rent amount in effect as of the Expiration Date and, in addition thereto, shall pay the Landlord for all damages, consequential as well as direct, sustained by reason of the Tenant's retention of possession."

9. Ratification. As expressly amended by this Fifth Amendment, Landlord and Tenant agree that the Lease remains in full force and effect.

10. Counterpart Signatures. This Fifth Amendment may be executed in multiple counterparts, each counterpart being executed by less than all of the parties hereto, and shall be equally effective as if a single original had been signed by all parties; but all such counterparts shall be deemed to constitute a single agreement, and this Fifth Amendment shall not be or be come effective unless and until each of the signatory parties below has signed at least one such counterpart and caused the counterpart so executed to be delivered to the other party.

[SIGNATURES BEGIN ON FOLLOWING THE PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Fifth Amendment to be duly executed as of the day and year first above written.

**LANDLORD:**

CROWN-GREENSBORO I, LLC, a Delaware limited liability company

By: Petrus Investors 2005 LP., a Delaware limited partnership, its Sole Member

By: Petrus-Crown GP 2005, LLC, a Delaware limited liability company, its General Partner

By: /s/ Wesley Huang
Name: Wesley Huang
Title: VP & Treasurer

*[SIGNATURES CONTINUE ON FOLLOWING PAGE]*

**TENANT:**

**ANALOG DEVICES, INC.,**
A Massachusetts Corporation

By: /s/ Margaret K. Seif
Name: Margaret K. Seif
Title: VP, General Counsel and Secretary

Exhibit 21

**SUBSIDIARIES OF THE REGISTRANT**
As of November 3, 2007

| Name of Subsidiary | State or Other Jurisdiction of Incorporation or Organization |
|---|---|
| Analog Devices Limited | United Kingdom |
| Analog Devices, GmbH | Germany |
| Analog Devices, SAS | France |
| Analog Devices, K.K. | Japan |
| Analog Devices ApS | Denmark |
| AudioAsics A/S | Denmark |
| Analog Devices A.B. | Sweden |
| Analog Devices (Finland) Oy | Finland |
| Analog Devices SRL | Italy |
| Analog Devices, GMBH | Austria |
| Analog Devices Korea, Ltd. | Korea |
| Integrant Technologies, Inc. | Korea |
| Analog Devices, B.V. | The Netherlands |
| Analog Devices Holdings, B.V. | The Netherlands |
| Analog Devices Nederland, B.V. | The Netherlands |
| Analog Devices (Philippines), Inc. | The Philippines |
| Analog Devices Gen. Trias, Inc. | The Philippines |
| Analog Devices Realty Holdings, Inc. (40% owned) | The Philippines |
| Analog Devices Taiwan, Ltd. | Taiwan |
| Analog Devices Hong Kong, Ltd. | Hong Kong |
| Analog Devices Pty, Ltd. | Australia |
| Analog Devices Australia Pty. Ltd. | Australia |
| Analog Devices India Private Limited | India |
| Analog Devices International Financial Services Limited | Ireland |
| Analog Research & Development Ltd. | Ireland |
| Analog Nominees Limited | Ireland |
| Analysed Investments, Ltd. | Ireland |
| Edinburgh Portable Compilers Limited | Scotland |
| Analog Devices Israel, Ltd. | Israel |
| Analog Development (Israel) 1996 Ltd. | Israel |
| Analog Devices (China) Co. Ltd. | China |
| Analog Devices (Shanghai) Co., Ltd. | China |
| Analog Devices Canada, Ltd. | Canada |
| Analog Devices S.L. | Spain |
| Analog Devices IMI, Inc. | California |
| Analog Devices ChipLogic, Inc. | California |
| Staccato Systems, Inc. | California |
| Analog Devices Foundry Services, Inc. | Delaware |
| Analog Devices Asian Sales, Inc. | Delaware |
| ADI Micromachines, Inc. | Delaware |
| Analog/ NCT Supply Ltd. (50% owned) | Delaware |
| Analog Devices International, Inc. | Massachusetts |

**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 2-63561, 2-90023, 2-95495, 33-2502, 33-4067, 33-22604, 33-22605, 33-29484, 33-39851, 33-39852, 33-43128, 33-46520, 33-46521, 33-60642, 33-60696, 33-61427, 33-64849, 333-04771, 333-04819, 333-04821, 333-08493, 333-40222, 333-40224, 333-47787, 333-47789, 333-48243, 333-56529, 333-57444, 333-69359, 333-79551, 333-87055, 333-50092, 333-53314, 333-53828, 333-75170, 333-113510 and 333-132409, and Form S-3 Nos. 333-08505, 333-08509, 333-17651, 333-87053, 333-48928, 333-51530 and 333-53660) of Analog Devices, Inc. and in the related Prospectuses of our reports dated November 26, 2007, with respect to the consolidated financial statements and schedule of Analog Devices, Inc., and the effectiveness of internal control over financial reporting of Analog Devices, Inc., included in this Annual Report (Form 10-K) for the year ended November 3, 2007.

/s/ Ernst & Young LLP

Boston, Massachusetts
November 26, 2007

**Exhibit 31.1**

**CERTIFICATION**

I, Jerald G. Fishman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Analog Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 30, 2007

/s/ Jerald G. Fishman
Jerald G. Fishman
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION**

I, Joseph E. McDonough, certify that:

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

Dated: November 30, 2007

/s/ Joseph E. McDonough
Joseph E. McDonough
Vice President-Finance
and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**Certification Pursuant to 18 U.S.C. Section 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Analog Devices, Inc. (the "Company") for the period ended November 3, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jerald G. Fishman, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 30, 2007

/s/ Jerald G. Fishman
Jerald G. Fishman
Chief Executive Officer

Exhibit 32.2

**Certification Pursuant to 18 U.S.C. Section 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Analog Devices, Inc. (the "Company") for the period ended November 3, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Joseph E. McDonough, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 30, 2007

/s/ Joseph E. McDonough
Joseph E. McDonough
Chief Financial Officer