

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

[X]

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

FOR THE FISCAL YEAR ENDED NOVEMBER 2, 1996

OR

[]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-7819

ANALOG DEVICES, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

(State or other jurisdiction of
incorporation or organization)

04-2348234

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

ONE TECHNOLOGY WAY, NORWOOD, MA

(Address of principal executive offices)

02062-9106

(Zip Code)

(617) 329-4700

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

COMMON STOCK \$.16 2/3 PAR VALUE

Title of Each Class

NEW YORK STOCK EXCHANGE

Name of Each Exchange on Which Registered

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:

NONE

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 (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 X NO

The aggregate market value of the voting stock held by non-affiliates
of the registrant was approximately \$3,960,793,548 based on the closing price of
the Common Stock on the New York Stock Exchange Composite Tape reporting system
on December 31, 1996.

Indicate the number of shares outstanding of each class of Common
Stock: 159,479,013 shares of \$.16 2/3 par value Common Stock as of December 31,
1996.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION

10-K PART

Portions of the Registrant's Proxy Statement for the Annual

Meeting of Stockholders to be held March 11, 1997.....

III

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ITEM 1. BUSINESS

Analog Devices, Inc. ("Analog" or the "Company") designs, manufactures and markets a broad line of high-performance linear, mixed-signal and digital integrated circuits ("ICs") that address a wide range of real-world signal processing applications. The Company's two principal product groups are general-purpose, standard-function linear and mixed-signal ICs ("SLICs") and system-level ICs. The latter group includes general-purpose digital signal processing ICs (DSPs) and application-specific devices that typically incorporate analog and mixed-signal circuitry and a DSP core. Analog's third product group consists of devices manufactured using assembled product technology.

Nearly all of the Company's products are components, which are typically incorporated by original equipment manufacturers (OEMs) in a wide range of equipment and systems for use in communications, computer, industrial, instrumentation, military/aerospace, automotive and high-performance consumer electronics applications. The Company sells its products worldwide; approximately 42% of fiscal 1996's revenues was derived from customers in North America, while most of the balance was derived from customers in Western Europe and the Far East.

INDUSTRY BACKGROUND

Real-world phenomena, such as temperature, pressure, sound, images, speed, acceleration, position and rotation angle, are inherently analog in nature, consisting of continuously varying information. This information can be detected and measured using analog sensors, which represent real-world phenomena 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 input to a microprocessor, which is used to manipulate, store or display the information. In many cases the signals are further processed after conversion to digital form using a technology called "digital signal processing," or DSP. In addition, digital signals are frequently converted to analog form to provide signals for analog display, sound, or control functions. These manipulations and transformations are known collectively as "real-world signal processing."

Significant advances in semiconductor technology over the past 10 to 15 years have led to substantial increases in the performance and functionality of ICs used in signal processing applications. These advances include the ability to create VLSI (Very Large Scale Integration) mixed-signal ICs that contain both high-performance analog circuitry and large amounts of high-density digital circuitry. The analog circuitry portion of the IC is used for manipulating real-world signals while still in analog form and for converting analog signals into digital form (or vice versa), and the digital portion is used for further processing analog signals subsequent to their conversion to digital form. The ICs resulting from these advances are used as components in equipment and systems to achieve higher performance and more efficient signal processing.

COMPANY OVERVIEW

Analog believes it is one of the world's largest suppliers of SLIC products. The Company's SLIC products are primarily high-performance, single-function devices. The majority of the Company's SLIC revenues are attributable to data converters (analog-to-digital and digital-to-analog) and amplifiers. SLICs are sold to a very large customer base for a wide variety of applications, including applications in the medical, engineering and scientific instruments market, factory automation market and military/aerospace market.

Building upon its expertise in linear IC technology, the Company has developed VLSI system-level mixed-signal ICs tailored to specific high-volume applications in target markets. These products typically provide a high level of functionality (i.e., many functions on one chip) to satisfy OEMs' requirements for integrated solutions at a low cost per function. The Company also has extended its expertise in analog signal processing and data conversion to develop DSP ICs. The Company's system-level ICs address the emerging demand for high levels of performance in many communications, computer and other high-volume applications.

PRINCIPAL PRODUCTS

The Company operates predominantly in one industry segment: the design, manufacture and marketing of a broad line of high-performance linear, mixed-signal and digital integrated circuits that address a wide range of real-world signal processing applications. Analog's products can be divided into three classifications: Standard Linear ICs (SLICs), system-level ICs (which includes all products previously classified as SPLICs, DSP ICs, and hard disk drive ICs) and assembled products.

A substantial portion of the Company's products are proprietary, while equivalents to most of its other products are available from a limited number of other suppliers. Many of the Company's products tend to be less price sensitive than other types of ICs, such as DRAM (Dynamic Random Access Memory) ICs, primarily because there are fewer suppliers and because OEMs, in many cases, after qualifying one manufacturer's high-performance linear or mixed-signal IC for a specific application, are reluctant to switch manufacturers due to the risk of degradation in the performance of their product and/or the effort required to qualify additional suppliers.

The following table sets forth the approximate percentage of revenue attributable to each of the Company's three product groups for the past three fiscal years:

PRODUCTS	1996	1995	1994
SLICs	57%	64%	60%
System-level ICs (including DSPs)	38	28	29
Assembled Products	5	8	11

SLICs

SLIC products have been the foundation of the Company's business for more than 20 years, and Analog believes it is one of the world's largest SLIC suppliers. The Company's SLICs are primarily high-performance, single-function devices. The majority of the Company's SLIC revenues are attributable to data converters (analog-to-digital and digital-to-analog) and amplifiers. Other SLIC products offered by the Company include analog signal-processing devices (such as analog multipliers), voltage references and comparators. Over the past few years the Company has been expanding its SLIC product offerings into product areas where it has traditionally had limited focus, principally interface circuits and power management ICs. It is also expanding its SLIC product line to include a much larger number of products designed to operate from single-supply 3 or 5 volt power sources to better meet the needs of customers designing portable, battery-operated equipment.

Analog's SLIC products tend to be general purpose in nature, which allows customers to incorporate them in a wide variety of equipment and systems. Analog's product portfolio includes several hundred SLICs, any one of which can have as many as several hundred customers. SLICs typically have long product life cycles. The Company's SLIC customers include both OEMs and customers who build equipment for their own use. Historically, most SLICs have been purchased by OEMs which serve the instrumentation, factory automation and military/aerospace markets, but they are now also being used for applications in commercial and consumer communications equipment, personal computers (PCs) and peripheral equipment used with PCs and computers.

By using standard, high-performance, readily available, off-the-shelf components in their designs, Analog's customers can reduce the time required to develop and bring new products to market. Given the high cost of developing customized ICs, SLICs usually provide the most cost-effective solutions for low to medium volume applications. In addition, combinations of SLICs connected together on a printed circuit board can provide functionality not currently achievable using a single IC.

SYSTEM-LEVEL ICs

Analog's system-level ICs include general-purpose DSP ICs and multi-function devices that feature high levels of functional integration on a single chip.

The Company's general-purpose DSP ICs are designed to efficiently execute specialized programs (algorithms) associated with processing digitized real-time, real-world data. General-purpose DSP IC customers typically write their own algorithms using software tools provided by the Company and software tools obtained from third-party suppliers. All of these devices share a common architecture and code compatibility, which allows system designers to address cost, performance and time-to-market constraints. Analog supports these products with specialized applications and easy-to-use, low-cost design tools, which reduce product development cost and time to market.

Most of Analog's system-level ICs other than its general-purpose DSP ICs are mixed-signal devices (some of which include a DSP core). The balance are linear-only devices. These devices are nearly always designed to meet the requirements of a specific application, and the design process often includes significant input from one or more potential key customers. Market demand for these types of devices is driven by the benefits that result from combining a number of functions on a single circuit, as opposed to a combination of SLICs and other ICs. These benefits include higher performance, lower cost per function, smaller size, lower weight, fewer parts and decreased power consumption. These products allow Analog's customers to design smaller, lighter, higher performance, more power-efficient and lower cost end products. The Company believes that these benefits are important to the Company's OEM customers as they increase their focus on high-performance, small, lightweight products, many of which are battery powered.

ASSEMBLED PRODUCTS

The Company's assembled products include multi-chip modules ("MCMs"), hybrids and printed-board modules. A MCM is a device made up of several IC chips assembled in an automated fashion in a multilayer package that provides high interconnect density at low cost. A hybrid consists of several chips and discrete components mounted and wired together on a substrate, which is then enclosed in a package. A printed-board module consists of surface-mount components assembled on a small printed board that is then encapsulated in a small plastic case.

Revenues from this product group have been declining for several years, primarily because hybrids have been replaced in many new designs with smaller, lower-cost monolithic ICs that offer higher levels of performance and integration at lower cost.

MARKETS AND APPLICATIONS

The Company's products are sold primarily to OEMs for incorporation into equipment, instruments and systems sold to end users for a wide variety of applications, including communications equipment; computers and computer peripherals; engineering, medical and scientific instruments; factory automation equipment; military/aerospace equipment; high-end consumer electronics products; and automotive products. The Company's growth has been aided both by the expansion of these markets and the increasing use of computer technology in the equipment and systems sold in these markets.

For fiscal 1996, Analog's 20 largest customers accounted for approximately 28% of the Company's net sales. The largest single customer represented less than 5% of net sales. Sales of the Company's products are not highly seasonal.

Listed below are some of the characteristics of each of the Company's major served markets:

COMMUNICATIONS -- includes data and fax modems, digital cellular telephones and portable, wireless communications equipment and broadband wired applications. The need for ever higher speed, coupled with more reliable, more bandwidth-efficient communications is creating increasing demand for systems that include both digital and analog signal processing capability. Demand for signal processing ICs for this market is also being driven by the equipment manufacturers' need for components that enable them to develop cost-effective products that feature high performance, small size, low weight and minimal power consumption.

COMPUTERS AND COMPUTER PERIPHERALS -- includes high-performance personal computers, workstations and peripheral devices such as hard disk drives and scanners. The Company currently supplies a variety of ICs used in this market for functions such as graphic displays; interfaces between PCs and peripherals such as modems and printers; power and battery management; and enhanced sound input and output capability for business and entertainment applications.

INSTRUMENTATION -- includes engineering, medical and scientific instruments. These products are usually designed using the highest performance SLICs available, where production volumes generally do not warrant custom or application-specific ICs.

FACTORY AUTOMATION -- includes data acquisition systems, automatic process control systems, robotics, environmental control systems and automatic test equipment ("ATE"). These products 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 SLICs are therefore usually employed to achieve the necessary functionality, except in ATE applications where the high level of electronic circuitry required per tester has created opportunities for the design of system-level ICs for this application.

MILITARY/AEROSPACE -- includes military, commercial avionics and space markets, all of which require high-performance ICs that meet rigorous environmental and reliability specifications. Nearly all of the Company's SLICs can be supplied in versions that meet appropriate military standards. In addition, many products can be supplied to meet the standards required for broadcast satellites and other commercial space applications. Most of the Company's products sold into this market are derived from standard commercial grade ICs, although the Company sometimes develops products expressly for military/aerospace applications.

CONSUMER ELECTRONICS -- The emergence of high-performance consumer products, such as compact disc players, digital VCRs, digital audio tape equipment and digital camcorders, has led to the need for high-performance system-level ICs with a high level of functionality. Although the Company's revenues from this market have not been significant, the Company expects to supply ICs for sophisticated products used by consumers for computing, communications and entertainment applications, and believes that many of these applications will involve digital signal processing.

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 applications. In response, Analog is developing products specifically for the automotive market. The Company is supplying a micromachined IC used as a crash sensor in airbag systems, which serves as an alternative to an electromechanical sensor. The Company anticipates that other micromachined devices derived from this product may be suitable for other automotive applications, such as anti-lock brakes and "smart" suspension systems.

RESEARCH AND DEVELOPMENT

The markets served by Analog are characterized by rapid technological changes and advances. Accordingly, the Company makes substantial investments in the design and development of new products and processes, and for significant improvement of existing products and processes. Analog spent \$177.8 million during fiscal 1996 for the design, development and improvement of new and existing products and processes, compared to \$134.3 million during fiscal 1995 and \$106.9 million during fiscal 1994.

In fiscal 1996, approximately half of the Company's R&D expenditures were devoted to the design and development of system-level ICs, including DSP ICs, and the development and improvement of processes used for these products. In support of its research and development activities, the Company employs several hundred engineers involved in product and process development at several design centers and manufacturing sites located throughout the world.

As of November 2, 1996, the Company owned 387 U.S. patents and had 220 patent applications on file with the United States patent office. The Company believes that while its patents may provide some advantage, its competitive position is largely determined by such factors as the knowledge, ability and experience of the Company's personnel, new product development, market recognition and ongoing marketing efforts, customer service and technical support.

SALES CHANNELS

Analog sells its products in both North America and internationally through a direct sales force, third-party distributors and independent sales representatives. Approximately 42% of fiscal 1996 revenue was derived from customers in North America. As of December 1, 1996, the Company had 13 sales offices in the United States, and its third-party distribution channel consisted of eight national and regional third-party distributors and several independent sales representatives with numerous locations throughout the U.S. and Canada.

Approximately 31% of the Company's fiscal 1996 revenue was derived from sales to customers in Europe; 14% to customers in Japan; and 13% to customers in other international markets. As of December 1, 1996, the Company had direct sales offices in Australia, Austria, Denmark, France, Germany, Hong Kong, India, Israel, Italy, Japan, Korea, The Netherlands, Singapore, Sweden, Taiwan and the United Kingdom. The Company also had sales representatives and/or distributors in approximately 36 countries outside North America, including countries where the Company also has direct sales offices.

Approximately 41% of Analog's fiscal 1996 revenue was derived from sales made through distributors. The Company's distributors typically maintain an inventory of Analog products. Some of these distributors also sell products competitive with the Company's products, including those for which the Company is an alternate source. Sales to certain distributors are made under agreements which provide protection to the distributors for their inventory of Company products against price reductions and products that are slow-moving or have been discontinued by the Company. These agreements generally contain a provision for the return of the products to the Company in the event the relationship with the distributor is terminated.

Sales to North American distributors are not recognized until the products are resold by distributors to their customers. Sales made to distributors outside North America are recognized upon shipment to the distributor, but the Company provides specific reserves for possible returns and allowances.

The Company's worldwide 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. The Company publishes and distributes full-length databooks, short-form catalogs, applications guides, technical handbooks and detailed data sheets for individual products. The Company also provides products and application information via CD ROMs and its worldwide web site on the Internet. The Company also maintains a staff of application engineers who aid customers in incorporating Analog's products into their products during their product development cycles.

PRODUCTION AND RAW MATERIALS

Monolithic integrated circuit components are manufactured in a sequence of 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, ceramic packages and plastic used for plastic packaging.

In addition to using industry-standard bipolar and CMOS wafer fabrication processes, Analog employs a wide variety of Company-developed proprietary processes specifically tailored for use in fabricating high-performance linear and mixed-signal SLICs and system-level ICs.

Analog's IC products are fabricated both at the Company's production facilities and by third-party wafer fabricators. Assuming that the Company can continue to maintain favorable relationships with its third-party wafer fabricators, it intends to continue using such suppliers for meeting most of its needs for wafers that can be fabricated using industry-standard digital processes. The Company intends to rely primarily on its own facilities for fabricating wafers that require linear and mixed-signal processes. The Company operates wafer fabrication facilities in Wilmington, Massachusetts; Santa Clara, California; and Limerick, Ireland for production of linear and mixed-signal devices. The Company also operates assembly and test facilities located in the United States, Ireland, the Philippines and Taiwan. The Company uses two principal foundries, Taiwan Semiconductor Manufacturing Company ("TSMC") and Chartered Semiconductor Manufacturing Pte., Ltd. ("CSM") for the production of digital and VLSI mixed-signal devices. To provide access to advanced process technology at competitive costs, the Company has entered into a joint venture agreement (WaferTech, LLC) with TSMC, Altera, Integrated Silicon Solutions and several individual investors to build an eight-inch wafer fabrication facility in Camas, Washington. Analog is an 18% equity partner in the joint venture which is expected to become operational late in 1998.

Hybrid products are manufactured by mounting and connecting together several integrated circuit chips in a single package. Some of the chips used in the Company's hybrids are manufactured by the Company and some are purchased from outside suppliers. The production process for modular components, subsystems and systems consists primarily of assembly, packaging and testing. Some of the Company's assembled products are assembled and tested within the Company's U.S. manufacturing facilities, while others are assembled and tested at Company-owned facilities outside the United States or by subcontractors, principally in the Far East.

To respond to production capacity shortages which existed during 1995, the Company significantly expanded its manufacturing capacity during 1996. Major wafer fabrication expansions have been undertaken in Wilmington, Massachusetts; Cambridge, Massachusetts; Sunnyvale, California and Limerick, Ireland.

In addition, the Company is completing construction of an additional manufacturing facility in Cavite, Philippines which will significantly increase assembly and test capacity. Most of these initiatives are either in production or nearing completion and are expected to satisfy the anticipated customer demand.

BACKLOG

Backlog at the end of fiscal year 1996 was approximately \$290.7 million; it was approximately \$286.8 million at the end of the fiscal year 1995. The quantities of the Company's products to be delivered and their delivery schedules are frequently revised by customers to reflect changes in their needs. As is customary in the semiconductor industry, the Company allows such orders to be canceled or deliveries delayed by the customer without significant penalty. Accordingly, the Company believes that its backlog at any time should not be used as a measure of future revenues.

GOVERNMENT CONTRACTS

The Company estimates that approximately 12% of its fiscal 1996 total worldwide revenue was attributable to sales to the U.S. government and government contractors and subcontractors. Analog's government contract-related business is predominantly in the form of negotiated, firm fixed-priced subcontracts. All such contracts and subcontracts contain standard provisions related to termination at the election of the United States government.

COMPETITION

Analog competes with a large number of semiconductor companies in markets that are highly competitive. The Company believes it is one of the largest suppliers of high-performance linear and mixed-signal signal-processing components. These types of products fall into both the SLIC and system-level IC product categories. Competitors for the Company's linear and mixed-signal products include Burr-Brown Corp., Cirrus Logic Inc., Exar Corp., Harris Corp., Linear Technology Corp., Maxim Integrated Products, Inc., National Semiconductor Corp., Rockwell International Corp., Sierra Semiconductor Corp., Siliconix Inc., Texas Instruments, Inc. and others.

Sales of DSP ICs represent a growing percentage of the Company's total sales. Analog's competitors in the DSP IC market include Lucent Technologies (formerly part of AT&T), Integrated Device Technology, Inc., Motorola Semiconductor Products and Texas Instruments, Inc.

Many other companies offer components that compete with Analog's products; some also offer other electronic products, and some have financial resources substantially larger than Analog's. Also, some formerly independent competitors have been purchased by larger companies (which in some cases may be viewed as a means by which the acquiring company gains in-house capability). However, to the Company's knowledge, no manufacturer competes with Analog across all of the product types offered by the Company in its signal-processing components product line.

Analog believes that competitive performance in the marketplace for real-world signal-processing components depends upon several factors, including product price, technical innovation, product quality and reliability, range of products, customer service and technical support. Analog believes its aggressive technical innovation emphasizing product performance and reliability, supported by its commitment to strong customer service and technical support, will allow the Company to continue to compete successfully in its chosen markets against both foreign and domestic semiconductor manufacturers.

ENVIRONMENT

Analog's manufacturing facilities are subject to numerous environmental laws and regulations, particularly with respect to industrial waste and emissions. Compliance with these laws and regulations has not had a material impact on the Company's capital expenditures, earnings or competitive position.

EMPLOYEES

As of November 2, 1996, the Company employed approximately 6,900 persons. The Company's future success depends in large part on the continued service of its key technical and senior management personnel, and on its ability to continue to attract, retain and motivate qualified employees, particularly those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for such personnel is intense, and the loss of key employees could have a material adverse effect on the Company. The Company believes that relations with its employees are good.

INTERNATIONAL OPERATIONS

Analog has direct sales offices in 16 countries outside the United States. For fiscal 1996, Analog's international sales accounted for approximately 58% of total sales, the majority of which were made through its direct international sales offices while the balance, approximately 37% of the total, were made through distributors. In addition, the Company has manufacturing facilities in Ireland, the Philippines and Taiwan. The Company also has arrangements with subcontractors, principally in the Far East, for wafer fabrication and the assembly and testing of certain products.

ITEM 2. PROPERTIES

The Company's corporate headquarters is located in Norwood, Massachusetts. Manufacturing and other operations are carried on in several locations worldwide. The following tables provide certain information as to the Company's principal general offices and manufacturing facilities:

PLANT LOCATION			
OWNED:	USE		FLOOR SPACE
-----	---		-----
Wilmington, Massachusetts	Wafer fabrication, components assembly and testing, engineering and administrative offices		245,200 sq. ft.
Wilmington, Massachusetts	Engineering, marketing and administrative offices		108,000 sq. ft.
Wilmington, Massachusetts	Components engineering, marketing and administrative offices		67,200 sq. ft.
Westwood, Massachusetts	Components and subsystems assembly and testing, engineering and administrative offices		100,400 sq. ft.
Limerick, Ireland	Wafer fabrication, components assembly and testing, engineering and administrative offices		286,200 sq. ft.
Greensboro, North Carolina	Components and board assembly and testing, engineering and administrative offices		100,000 sq. ft.
Cavite, Philippines	Components assembly and testing, engineering and administrative offices		125,000 sq. ft.
Manila, Philippines	Components assembly and testing, engineering and administrative offices		85,000 sq. ft.

PRINCIPAL			LEASE	
PROPERTIES	USE	FLOOR SPACE	EXPIRATION	RENEWALS
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LEASED			(FISCAL YEAR)	

Norwood, Massachusetts	Corporate headquarters, engineering, components testing, sales and marketing offices	135,000 sq. ft.	2007	3, five-yr. periods
Cambridge, Massachusetts	Wafer fabrication, engineering and administrative offices	68,000 sq. ft.	2001	2, five-yr. periods
Santa Clara, California	Wafer fabrication, components assembly and testing, engineering and administrative offices	72,800 sq. ft.	2002	3, five-yr. periods
Santa Clara, California	Administrative offices and engineering	43,500 sq. ft.	2002	3, five-yr. periods
Sunnyvale, California	Wafer fabrication	40,000 sq. ft.	2000	3, five-yr. periods
Taipei, Taiwan	Components testing, engineering and administrative offices	47,700 sq. ft.	1997	3 to 5 yr. option to extend

ITEM 2. PROPERTIES -- (CONTINUED)

In addition to the principal leased properties listed in the previous table, the Company also leases sales offices and other premises at 28 locations in the United States and 28 locations overseas under operating lease agreements. These leases expire at various dates through the year 2010. The Company anticipates no difficulty in retaining occupancy of any of its manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. See Note 7 - "Lease Commitments" in the Notes to Consolidated Financial Statements for information concerning the Company's obligations under all operating and capital leases.

ITEM 3. LEGAL PROCEEDINGS

The Company was a defendant in two lawsuits brought in Texas by Texas Instruments, Inc. ("TI"), alleging patent infringement, including patent infringement arising from certain plastic encapsulation processes, and seeking an injunction and unspecified damages against the Company. The alleged infringement of one of these patents was also the subject matter of a proceeding brought by TI against the Company before the International Trade Commission ("ITC"). On January 10, 1994, the ITC brought an enforcement proceeding against the Company alleging that the Company had violated the ITC's cease and desist order of February 1992 (as modified in July 1993), which prohibited the Company's importation of certain plastic encapsulated circuits, and seeking substantial penalties against the Company for these alleged violations. In addition, in June 1992, the Company commenced a lawsuit against TI in Massachusetts alleging certain TI digital signal processors infringed one of the Company's patents. Effective April 1, 1995, the Company and TI settled both Texas lawsuits and the Massachusetts lawsuit principally by means of a royalty-free cross license of certain of the Company's and TI's patents.

On April 25, 1995, the Company filed with the ITC a motion to terminate the ITC enforcement proceeding on the grounds that further action by the ITC was unnecessary in light of the Company's settlement with TI. On May 8, 1995, an Administrative Law Judge issued a recommended determination to the ITC to grant the Company's motion to terminate the ITC proceeding. The investigative office of the ITC opposed the motion, claiming that, notwithstanding the Company's settlement with TI, the Company's alleged violation of the ITC's cease and desist order warranted the imposition of substantial penalties. On September 11, 1996, the ITC adopted the determination of the Administrative Law Judge to terminate the enforcement proceeding and referred to the Department of Justice certain allegations that the Company made false representations in reports filed with the ITC. The Company advised the Department of Justice that it has consistently and vigorously denied such allegations during the entire course of the proceedings before the ITC and the Department of Justice informed the Company that its statement would be considered in connection with any action it may take on the matter. The Company is aware of no further activity by the Department of Justice, and is unable to determine whether further activity will occur regarding the foregoing matter.

In addition, from time to time as a normal incidence of the nature 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 and product liability. Such litigation includes patent infringement actions brought against the Company by Sextant Avionique, S.A. in France and the United States and Commissariat A. L'energie Atomique C.E.A. in France, claiming that the Company's accelerometer infringes certain patents. While there can be no assurance that the Company will prevail in any of these matters, the Company does not believe that these matters will have a material adverse effect on the Company's consolidated financial position or consolidated results of operations. However, an unfavorable outcome could have an adverse effect on the Company's consolidated results of operations in the quarter in which these matters are resolved.

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

No matters were submitted to a vote of the Company's security holders during the last quarter of the fiscal year ended November 2, 1996.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth (i) the name and age of each present executive officer of the Company; (ii) the position(s) presently held by each person named; and (iii) the principal occupations held by each person named for at least the past five years.

EXECUTIVE OFFICER -----	AGE ---	POSITION -----	BUSINESS EXPERIENCE -----
Ray Stata.....	62	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.....	51	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.
Ross Brown.....	52	Vice President, Human Resources	Vice President, Human Resources since May 1993; U.S. Personnel Manager for Digital Equipment Corp. from 1990 to 1993; Senior Group Personnel Manager at Digital from 1986 to 1990.
David D. French.....	40	Vice President and General Manager, Computer Products Division	Vice President and General Manager, Computer Products Division since May 1994; Vice President and General Manager of Systems IC Products Division from November 1991 to May 1994; Division General Manager from February 1988 to November 1991.
Russell K. Johnsen.....	42	Vice President and General Manager, Communications Division	Vice President and General Manager, Communications Division since May 1994; Vice President and General Manager Analog Devices Semiconductor Division from November 1993 to May 1994; General Manager of the Wide Area Networks Division of National Semiconductor Corp. from 1992 to 1993.
Robert R. Marshall.....	42	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.

EXECUTIVE OFFICER -----	AGE ---	POSITION -----	BUSINESS EXPERIENCE -----
William A. Martin.....	37	Treasurer	Treasurer since March 1993; Assistant Treasurer from October 1991 to March 1993; Manager of Treasury Finance from March 1987 to October 1991; Manager of International Treasury from October 1985 to March 1987.
Robert McAdam.....	46	Vice President and General Manager, Standard Linear Products Division	Vice President and General Manager, Standard Linear Products Division 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.....	46	Vice President, Sales	Vice President, Sales since May 1992; 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.....	49	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.
H. Goodloe Suttler.....	45	Vice President, Marketing, Quality and Planning	Vice President, Marketing Quality and Planning since October 1993; Vice President and General Manager, Analog Devices Semiconductor Division from November 1991 to October 1993; General Manager of Analog Devices Semiconductor Division from August 1988 to November 1991.
Franklin Weigold.....	57	Vice President and General Manager, Transportation and Industrial Products Division	Vice President and General Manager, Transportation and Industrial Products Division since March 1992; President and Chief Operating Officer of Unitrode from June 1990 to March 1992.

There is no family relationship among the named officers.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange under the symbol ADI. The table below sets forth the high and low prices of the Common Stock during the two most recent fiscal years.

PERIOD	1996		1995	
	HIGH	LOW	HIGH	LOW
First Quarter	\$ 19.38	\$ 13.13	\$ 12.25	\$ 10.25
Second Quarter	\$ 22.63	\$ 16.13	\$ 14.13	\$ 10.00
Third Quarter	\$ 22.38	\$ 12.75	\$ 19.00	\$ 12.88
Fourth Quarter	\$ 22.25	\$ 14.63	\$ 19.75	\$ 14.88

On December 3, 1996, the Company's Board of Directors authorized a four-for-three stock split effected in the form of a 33 1/3% stock dividend distributed on January 6, 1997 to stockholders of record December 16, 1996. All stock prices in the table above have been restated to reflect the split.

The Company's \$60,000,000 credit agreement restricts the aggregate of all cash dividend payments declared or made subsequent to November 2, 1996 to an amount not exceeding \$150,000,000 plus 50% of the consolidated net income of the Company for the period from November 3, 1996 through the end of the Company's then most recent fiscal quarter. At November 2, 1996 this amount was equal to \$150,000,000. Although prior credit agreements may not have restricted the payment of dividends, the Company has never paid any cash dividends on its Common Stock.

The approximate number of holders of record of the Company's Common Stock at December 31, 1996 was 4,956. This number does not include shareholders for whom shares are held in a "nominee" or "street" name.

ITEM 6. SELECTED FINANCIAL DATA

(thousands except per share amounts)	1996	1995	1994	1993	1992
Statement of Operations data:					
Net sales.....	\$ 1,193,786	\$ 941,546	\$773,474	\$666,319	\$567,315
Net income.....	171,901	119,270	74,496	44,457	14,935
Net income per share (1).....	1.03	.75	.48	.29	.10
Balance Sheet data:					
Total assets.....	\$ 1,515,685	\$ 1,001,648	\$815,871	\$678,492	\$561,867
Long-term debt and non-current obligations under capital leases.....	353,666	80,000	80,061	100,297	70,632

(1) All references to per share amounts have been restated to reflect the four-for-three stock split effected in the form of a 33 1/3% stock dividend distributed on January 6, 1997 to stockholders of record December 16, 1996.

RESULTS OF OPERATIONS

FISCAL 1996 COMPARED TO FISCAL 1995

The Company reported net sales of \$1,194 million in fiscal 1996, up \$252 million or 27% from net sales of \$942 million in fiscal 1995. Fiscal year 1996 sales growth was attributable to significant increases in sales volumes of both the Company's standard linear IC and system-level IC products as worldwide demand for precision integrated circuit products continued to increase in the first half of fiscal 1996. During the third and fourth quarters a broad-based inventory correction by end users, customers and distributors in response to the shorter lead times available for many products from the Company and other suppliers caused sales levels to be flat with the second quarter.

Demand for the Company's ICs was strong both in its core industrial and instrumentation markets and in high-growth applications in the communications, computer and portable wireless equipment markets. Total IC sales, representing both standard linear and system-level ICs, constituted approximately 95% of total sales in fiscal 1996, continuing the long-term trend of IC sales being a major portion of the Company's revenues.

Sales of the Company's standard linear IC products, which continues to make up the largest and most profitable part of the Company's business, increased 12% in fiscal 1996 to \$678 million. Standard linear IC sales, however, declined as a percentage of total sales, accounting for 57% of total sales in fiscal 1996 compared to 64% in fiscal 1995, reflecting the significant revenue growth experienced in the system-level IC business. The growth in sales of standard linear ICs continues to be driven by the greater use of standard linear IC products in new high-volume applications in wireless and broadband communications, computer and consumer markets including digital cellular handsets and base stations, video applications and imaging applications. In fiscal 1996, the distributor channel continued to be a significant growth channel for the Company's standard linear IC product line.

Sales of system-level ICs increased in fiscal 1996 to \$453 million, as the Company achieved substantial gains in its general-purpose digital signal processing products and mixed-signal ICs for application-specific system-on-a-chip solutions. The largest end user market growth for the Company's system-level IC products was experienced in wireless communications applications, including digital mobile phones and base stations. As a percentage of total sales, system-level IC products, increased to 38% of total sales compared to 28% in fiscal 1995.

Sales of the Company's assembled products decreased approximately \$12 million or 17% from fiscal 1995 to fiscal 1996 and as a percentage of total sales decreased from 8% to 5% over this same period. The Company believes this sales decrease reflects the decline in the market opportunities for this product line.

In fiscal 1996, sales to North American customers followed the trend of the prior year and increased \$90 million or 22% over fiscal 1995 to \$503 million. Sales to customers outside North America, primarily Europe and Southeast Asia, increased \$162 million or 31% to \$691 million. Sales to European customers increased \$100 million or 38% to \$364 million, with much of this growth resulting from the Company's increased penetration of applications in the communications market, particularly in handsets and base stations used in the GSM (Global System for Mobile Communications) digital cellular telephone system now widely deployed in Western Europe. Sales in Japan increased slightly by 1% to \$167 million largely as a result of a reduction in sales of standard linear IC products for factory automation and other industrial market applications and the weaker Japanese industrial economy. A strengthening average U.S. dollar exchange rate also contributed to the lack of growth in Japanese sales. Sales to customers in Southeast Asia increased 60% or \$60 million to \$160 million compared to fiscal 1995 due to increased demand for products in the hard disk drive, communications and computer products segments. As a percentage of total sales, North American and international sales accounted for 42% and 58%, respectively, compared to 44% and 56% in fiscal 1995.

In fiscal 1995 the distributor channel was a major contributor to sales growth in North America as well as in Europe and Japan, especially for standard linear IC and DSP products. Worldwide sales through distribution increased approximately 23% from fiscal 1995 to fiscal 1996 and represented 41% of the Company's total sales. Worldwide OEM sales increased by approximately 30% and represented 59% of the Company's sales.

During fiscal 1996 the Company continued the multi-faceted manufacturing capacity expansion program started in 1995 to substantially increase the number of fabricated wafers available to it in fiscal 1996 and beyond. See "Liquidity and Capital Resources" below for a discussion of the Company's actions to address its capacity issues.

Gross margin was 50.3% of sales in fiscal 1996 compared to 50.7% of sales in fiscal 1995. The reduction in gross margin was principally due to a lower proportion of standard linear IC products in the mix of products sold, which generally have higher gross margins than the Company's system-level IC products. The reduction in gross margin in fiscal 1996 was also attributable to the increase in capacity combined with the leveling off of sales in the latter half of the year.

Research and development expenses increased approximately 32% in fiscal 1996 to \$178 million or 14.9% of sales. This increase was mainly due to the continued development of innovative SLIC products and processes and higher spending in the development of new products and technologies targeted for the communications, computer and automotive markets, including initiatives in general-purpose digital signal processing such as the Company's SHARC product family, system-level ICs for computer audio and wireless communications applications, RF signal processing, surface micromachining technology, accelerometer products. The increase in R&D expenditures in fiscal 1996 was also attributable to increased staffing of design engineering personnel and the start up of new design centers. The Company believes that technical leadership in the semiconductor industry is critical to its future success and is committed to maintaining a high level of research and development effort.

Selling, marketing, general and administrative (SMG&A) expense growth in fiscal 1996 was held to 5.9%, as SMG&A increased from \$185 million in fiscal 1995 to \$196 million in fiscal 1996. SMG&A expenses continued to decline as a percentage of sales to 16.4% in fiscal 1996 compared to 19.6% in fiscal 1995 and 22.0% in fiscal 1994, consistent with the Company's goal of constraining SMG&A spending growth to a rate significantly below sales growth. The increase in SMG&A expenses in absolute dollars was primarily related to higher incentive expenses associated with improved revenue and profitability levels, and greater product advertising and related promotional costs and commissions in support of the Company's product lines and customer base.

Operating income grew 44% to 19% of sales compared to 17% of sales in fiscal 1995. This performance gain reflected the combination of accelerated demand for the Company's products and continuing commitment to growing expenses more slowly than sales.

Nonoperating income of \$1.7 million in fiscal 1995 improved to \$3.6 million in fiscal 1996. Interest expense in fiscal 1996 increased from fiscal 1995 as a result of the issuance of \$230,000,000 of 3-1/2% Convertible Subordinated Notes in December 1995 but this increase was more than offset by increased investment income as a result of the positive spread between the coupon rate and the investment rates achieved on available cash balances through fiscal 1996.

The effective income tax rate increased to 25.5% in fiscal 1996 from 25.2% in fiscal 1995 due to earnings growth in higher tax rate jurisdictions including the U.S. The Company maintained a valuation allowance for deferred tax assets of \$7.4 million at November 2, 1996 based on management's assessment that realization of such deferred tax assets was not assured for book and tax capital losses. The valuation allowance balance was \$10.0 million at October 28, 1995. The net change in the valuation allowance for the fiscal year ended November 2, 1996 was a decrease of \$2.6 million as a result of the utilization of book basis foreign tax credits and the use of capital tax loss carryforwards.

The growth in sales, improved operating performance and lower nonoperating expenses yielded a 44.1% increase in net income to \$171.9 million or 14.4% of sales compared to \$119.3 million or 12.7% of sales. Earnings per share in fiscal 1996 grew 37% to \$1.03 from \$0.75 in fiscal 1995.

The Company has not yet adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" which will require adoption in fiscal 1997. The Company does not believe the adoption of these statements will have a material impact on its consolidated financial statements.

The impact of inflation on the Company's business during the past three years has not been significant.

Net sales of \$942 million for fiscal 1995 increased 22% from net sales of \$773 million for fiscal 1994. The sales increase was due to higher sales volumes of standard linear IC and system-level IC products which comprise approximately 92% of total sales for fiscal 1995.

Standard linear IC sales rose \$137 million or 30% to \$605 million in fiscal 1995. This increase was primarily due to the combination of increased penetration of the Company's data converter and amplifier products in high-performance instrumentation and factory automation applications and greater use of standard linear IC products in new high-volume applications in the communications, computer and consumer markets including digital cellular handsets and base stations, video and imaging applications.

Sales of system-level IC products grew \$70 million or 46% to \$262 million in fiscal 1995. This growth was attributable largely to increased demand for applications in personal computers and wireless communications products including digital mobile phones and base stations, and the Company's broader participation in these growing markets.

Sales of assembled products declined approximately 3% from fiscal 1994 to fiscal 1995 and as a percentage of total sales decreased from 11% to 8% over the same period.

Sales to North American customers increased 20% over fiscal 1994 levels to \$412 million with much of this increase coming from the distributor channel as sales through North American distributors increased 40% from the prior year. Sales to international customers grew 23% led by sales increases of approximately 24% and 34% in Japan and Europe, respectively. Sales growth in Japan was mainly attributable to increased demand for standard linear IC products, and the weaker U.S. dollar exchange rate also contributed to some of the sales improvement in Japan. The sales increase in Europe represented continued strength in sales of products in the communications markets, particularly in handsets and base stations used in GSM digital cellular telephone systems. Southeast Asia sales of \$100 million for fiscal 1995 were flat compared to the prior year due to significant decline in hard disk drive sales. As a percentage of total net sales, North American and international sales remained at 44% and 56%, respectively, which were comparable to fiscal 1994.

Gross margin improved to 50.7% of sales for fiscal 1995 compared to 49.0% for fiscal 1994. This increase was principally due to a higher proportion of standard linear IC products in the mix of products sold which typically generate higher gross margins than the Company's system-level IC products. The fiscal 1995 improvement in gross margin was also attributable to greater capacity utilization, resulting in the absorption of fixed manufacturing costs over increased production levels.

R&D expenses for fiscal 1995 increased 26% from fiscal 1994 as the Company continued to invest in new product development. As a percentage of sales, R&D expenses were 14.3% in fiscal 1995 compared to 13.8% in fiscal 1994.

Selling, marketing, general and administrative (SMG&A) expense growth was held to 8.6% compared to fiscal 1994, increasing at a lower rate than sales. As a result, SMG&A as a percentage of sales decreased to 19.6% for fiscal 1995 from 22% for fiscal 1994. The increase in SMG&A expenses related mostly to increased incentive expenses associated with improved revenue and profitability levels and greater product advertising and related promotional costs in support of the Company's product lines and customers.

In total, operating expenses were reduced to 33.9% of sales, down from 35.8% in fiscal 1994, consistent with the Company's emphasis on maintaining tight control over all costs in order to gain better operating leverage on increases in revenues.

Operating income reached 16.8% of sales for fiscal 1995, an increase of 3.6 percentage points from 13.2% of sales for fiscal 1994. This performance gain reflected the higher sales level, improvement in gross margin as a percentage of sales and slower rate of expense growth versus sales.

Nonoperating expenses decreased \$6.6 million in fiscal 1995, benefiting from a reduction in interest expense of \$2.9 million and an increase in interest income of \$2.9 million for the year. The maturity of a term loan of \$20 million in early fiscal 1995 and on average higher cash balances invested at a higher weighted average investment rate were the main causes of the change over fiscal 1994.

The effective income tax rate increased to approximately 25% in fiscal 1995 from approximately 23% in fiscal 1994 due to a shift in the mix of worldwide income. The Company maintained a deferred tax asset valuation allowance of \$10 million at both October 28, 1995 and October 29, 1994 based on management's assessment that realization of such deferred tax assets was not assured for book and tax capital losses and book basis foreign tax credits.

The growth in sales, improved operating performance and lower nonoperating expenses resulted in a 60% increase in net income to \$119.3 million or 12.7% of sales in fiscal 1995 compared to \$74.5 million or 9.6% of sales in fiscal 1994. Earnings per share in fiscal 1995 grew 56% to \$0.75 from \$0.48 in fiscal 1994.

LIQUIDITY AND CAPITAL RESOURCES

At November 2, 1996, the Company had \$300 million of cash, cash equivalents and short-term investments compared to \$151 million at October 28, 1995. The Company's operating activities generated net cash of \$144 million, or 12% of sales, and \$210 million, or 22.3% of sales, in fiscal 1996 and fiscal 1995, respectively. Investing activities used \$305 million in fiscal 1996 and \$239 million in fiscal 1995 while financing activities generated \$301 million in fiscal 1996 and used \$11 million in fiscal 1995. Working capital increased to \$550 million at the end of fiscal 1996 from \$272 million at the end of fiscal 1995. This increase was primarily due to higher cash and cash equivalents and short-term investments and higher receivable and inventory associated with the expanded scale of operations.

The Company's primary source of funds in fiscal year 1995 was net cash generated by operations, but in fiscal year 1996 the primary source of funding was from financing, the major item being the issuance of long-term convertible debt which generated net proceeds of \$224 million. There was a \$67 million reduction in operating cash flows from \$210 million in fiscal 1995 to \$144 million fiscal 1996. Net income was higher in fiscal 1996 by \$53 million but this increase was offset by increases in receivables and inventory which were only partially offset by increases in depreciation and various liability accounts. The non-cash effect of depreciation and amortization expense was \$84 million and \$64 million in fiscal 1996 and fiscal 1995, respectively. As a result of internal capacity expansion, depreciation expense is expected to be higher in fiscal 1997 as these additions continue to ramp up.

Accounts receivable of \$242 million at the end of fiscal 1996 increased \$61 million or 33% from \$181 million at the end of fiscal 1995. This increase was caused by an increase in revenue and non-linearity of shipments at the year end. As a percentage of annualized fourth quarter sales, accounts receivable was 19.8% at the end of fiscal 1996 compared to 17.6% at the end of fiscal 1995 and 20.0% at the end of fiscal 1994.

Inventories rose \$75 million or 52% over the prior year to \$219 million at the end of fiscal 1996. This increase was primarily due to an increase in standard linear inventory levels needed to service increasing sales volumes and to offset unusually low inventory levels at the end of fiscal 1995 caused by the capacity shortages at that time and to improve customer response times. Additional manufacturing capacity during fiscal 1996 also caused inventory levels to increase. Accordingly, year-end inventories as a percentage of annualized fourth quarter sales increased from 14% in fiscal 1995 to 18% in fiscal 1996.

Accounts payable and accrued liabilities remained essentially flat at approximately \$174 million at the end of both fiscal 1996 and 1995, as increases caused by increased expense activity related to the higher revenue level were offset by reductions in capital expenditures in the fourth quarter of fiscal 1996 when compared to the year-earlier period.

The Company's principal investment activities during fiscal 1996 were in support of its manufacturing capacity expansion programs and included capital expenditures of \$234 million and an investment of \$42 million (which was an installment on an 18% share in a wafer fabrication facility on a joint venture basis with Taiwan Semiconductor Manufacturing Company ("TSMC")) and a further investment of approximately \$7 million in Chartered Semiconductor Manufacturing, Pte. Ltd. in Singapore.

Capital expenditures in fiscal 1996, of \$234 million, were \$21 million higher than in fiscal 1995 with a significant portion of these expenditures related to the construction of additional manufacturing capacity including further development of the six-inch wafer fabrication plant at the Company's Limerick manufacturing facility.

Also during fiscal 1996, the Company continued to upgrade its existing Wilmington, Massachusetts wafer fabrication facility from four-inch to six-inch wafer production. This additional capacity became available in the latter half of fiscal 1996, and is used primarily for high-speed linear products. In addition, the Company continued development of the six-inch wafer fabrication module located in Sunnyvale, California. This six-inch facility is being upgraded and modernized and a CBCMOS process is currently being developed. Production was scheduled to start in late 1996 but because of the slowdown in demand, production is temporarily delayed. The Company also signed an agreement to lease a wafer fabrication facility in Cambridge, Massachusetts and is upgrading this facility which will be used for the production of the accelerometer and other micromachined products. The Company also expanded assembly and test facilities in the Philippines during fiscal 1996 by adding a new site which is expected to commence production in early 1997.

In June 1996, the Company entered into a joint venture agreement with TSMC, two other companies and several individual investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington. The Company acquired an 18% equity ownership in the joint venture, known as WaferTech, in return for a \$140.4 million investment. The investment is to be made in three installments of which the first and second were made on June 25, 1996 and December 2, 1996 both in the amount of \$42.1 million. The remaining installment of \$56.2 million is due on November 3, 1997.

In fiscal 1995, the Company made an equity investment of \$14 million in Chartered Semiconductor Manufacturing Pte., Ltd. ("CSM") in Singapore and in fiscal 1996 the Company made an additional investment of approximately \$7 million, in exchange for less than 5% ownership interest.

In fiscal 1995, the Company entered into a supply agreement with its primary wafer foundry, TSMC. Under this agreement, the Company agreed to make a series of advance payments to TSMC aggregating \$22.4 million, payable over a three-year period, in order to secure access to a minimum level of wafer capacity over the period from 1996 to 1999. However, during fiscal 1996 the arrangement was modified whereby the Company would maintain a constant deposit of \$6.4 million with TSMC.

In January 1996, the Company entered into an additional agreement with CSM, whereby the Company will provide a total deposit of approximately \$20.0 million to be paid in several installments in 1996 and 1997. In fiscal 1996 \$8.0 million was provided to CSM under this arrangement and is classified in the balance sheet line item, "Deferred Charges and Other Assets." Under the terms of this agreement, the deposit will guarantee access to certain quantities of sub-micron wafers through fiscal 2000. If the Company does not purchase the minimum quantities under the agreement, the deposit will be forfeited for the value of the wafer shortfall up to the total amount of \$20.0 million. At the end of the agreement term, the Company's deposit will be returned, net of any forfeitures.

The Company currently plans to make capital expenditures of approximately \$175 million in fiscal 1997, primarily in connection with the continued expansion of its manufacturing capacity.

Financing activities in fiscal 1996 generated cash of \$224 million from the issuance of long-term convertible debt, \$62 million from equipment financing and \$26 million from the issuance of common stock under the employee stock purchase and stock option plans. Cash used in the Company's financing activities in fiscal 1996 was for the repayment of \$4 million of variable rate borrowings and \$7 million for the repayment of capital lease obligations.

At November 2, 1996, the Company's principal sources of liquidity included \$300 million of cash, cash equivalents and short-term investments. Short-term investments at the end of fiscal 1996 consisted of commercial paper, certificates of deposit and Euro time deposits with maturities greater than three months and less than six months at the time of acquisition. The Company also has various lines of credit both in the U.S. and overseas, including a \$60 million credit facility in the U.S. which expires in 2000, all of which were substantially unused at the end of fiscal 1996. At the end of fiscal 1996, the Company's debt-to-equity ratio was 42%.

On December 18, 1995, the Company completed a public offering of \$230,000,000 of five-year 3-1/2% Convertible Subordinated Notes due December 1, 2000 with semi-annual interest payments on June 1 and December 1 of each year, commencing June 1, 1996. The Notes are convertible, at the option of the holder, into the Company's common stock at any time unless previously redeemed by the Company, at a conversion price of \$20.938 per share, subject to adjustment in certain events. The net proceeds of the offering were approximately \$224 million after payment of the underwriting discount and expenses of the offering which will be amortized over the term of the Notes.

The Company believes that its existing sources of liquidity and cash expected to be generated from future operations, together with current and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures and research and development efforts for the foreseeable future.

LITIGATION

As set forth in Item 3 - "Business-Legal Proceedings," the Company is no longer engaged in an enforcement proceeding brought by the International Trade Commission ("ITC") related to previously settled patent infringement litigation with Texas Instruments, Inc. However, the ITC has referred certain related matters to the Department of Justice. The Company is unable to determine what, if any, action may be taken by the Department of Justice, but the Company plans to vigorously defend itself in the event that any enforcement action is taken by the Department of Justice on any of the matters referred to it by the ITC.

FACTORS WHICH MAY AFFECT FUTURE RESULTS

The Company's future operating results are difficult to predict and may be affected by a number of factors including the timing of new product announcements or introductions by the Company and its competitors, competitive pricing pressures, fluctuations in manufacturing yields, adequate availability of wafers and manufacturing capacity, changes in product mix and economic conditions in the United States and international markets. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. During the past six months demand for the Company's product has leveled off, and the Company has used this opportunity to replenish inventory which had been depleted in the prior year. These higher inventory levels expose the Company to the risk of obsolescence depending on the mix of future business. As a result of these and other factors, there can be no assurance that the Company will not experience material fluctuations in future operating results on a quarterly or annual basis.

The Company's success depends in part on its continued ability to develop and market new products. There can be no assurance that the Company will be able to develop and introduce new products in a timely manner or that such products, if developed, will achieve market acceptance. In addition, the Company's growth is dependent on its continued ability to penetrate new markets such as the communications, computer and automotive segments of the electronics market, where the Company has limited experience and competition is intense. There can be no assurance that the markets being served by the Company will grow in the future; that the Company's existing and new products will meet the requirements of such markets; that the Company's products will achieve customer acceptance in such markets; that competitors will not force prices to an unacceptably low level or take market share from the Company; or that the Company can achieve or maintain profits in these markets. Also, some of the customers in these markets are less well established which could subject the Company to increased credit risk.

The semiconductor industry is intensely competitive. Certain of the Company's competitors have greater technical, marketing, manufacturing and financial resources than the Company. The Company's competitors also include emerging companies attempting to sell products to specialized markets such as those served by the Company. Competitors of the Company have, in some cases, developed and marketed products having similar design and functionality as the Company's products. There can be no assurance that the Company will be able to compete successfully in the future against existing or new competitors or that the Company's operating results will not be adversely affected by increased price competition.

During fiscal 1996, the Company increased substantially its manufacturing capacity through both expansion of its production facilities and increased access to third-party foundries; there can be no assurance that the Company will not encounter unanticipated production problems at either its own facilities or at third-party foundries; or that the increased capacity will be sufficient to satisfy demand for its products. The Company relies, and plans to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of its wafers that can be manufactured using industry-standard digital processes, and such reliance involves several risks, including reduced control over delivery schedules,

manufacturing yields and costs. In addition, the Company's capacity additions will result in a significant increase in operating expenses, and if revenue levels do not increase to offset these additional expense levels, the Company's future operating results could be adversely affected, including the potential adverse impact in operating results for "take or pay" covenants in certain of its supply agreements. With its greater capacity relative to demand, the Company has increased its levels of inventory. The Company's business is subject to rapid technological changes and there can be no assurance that products stocked in inventory will not be rendered obsolete before they are utilized by the Company. The Company also believes that other semiconductor manufacturers are also expanding or planning to expand their production capacity over the next several years, and there can be no assurance that the expansion by the Company and its competitors will not lead to overcapacity in the Company's target markets, which could lead to price erosion that would adversely affect the Company's operating results.

For fiscal 1996, 58% of the Company's revenues were derived from customers in international markets. The Company has manufacturing facilities in Ireland, the Philippines and Taiwan. The Company is therefore subject to the economic and political risks inherent in international operations, including expropriation, air transportation disruptions, currency controls and changes in currency exchange rates, tax and tariff rates and freight rates. Although the Company engages in certain hedging transactions to reduce its exposure to currency exchange rate fluctuations, there can be no assurance that the Company's competitive position will not be adversely affected by changes in the exchange rate of the U.S. dollar against other currencies.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights. The Company has from time to time received, and may in the future receive, claims from third parties asserting that the Company's products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim and a license is not available on commercially reasonable terms, the Company's operating results could be materially and adversely affected. Litigation may be necessary to enforce patents or other intellectual property rights of the Company or to defend the Company against claims of infringement, and such litigation can be costly and divert the attention of key personnel. See Item 3 "Legal Proceedings" for information concerning pending litigation involving the Company. An adverse outcome in such litigation, may, in certain cases, have a material adverse effect on the Company's consolidated financial position or on its consolidated results of operations or cash flows in the period in which the litigation is resolved.

Because of these and other factors, past financial performance should not be considered an indicator of future performance. Investors should not use historical trends to anticipate future results and should be aware that the trading price of the Company's common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, general conditions in the semiconductor industry, changes in earnings estimates and recommendations by analysts or other events.

ANALOG DEVICES, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED NOVEMBER 2, 1996

ITEM 8

FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

ANALOG DEVICES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION INCLUDED IN ITEM 8:	
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The Board of Directors and Stockholders
Analog Devices, Inc.

We have audited the accompanying consolidated balance sheets of Analog Devices, Inc. as of November 2, 1996, October 28, 1995 and October 29, 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended November 2, 1996. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Analog Devices, Inc. at November 2, 1996, October 28, 1995 and October 29, 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 2, 1996, in conformity with 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.

ERNST & YOUNG LLP

Boston, Massachusetts
December 3, 1996

ANALOG DEVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended November 2, 1996, October 28, 1995 and October 29, 1994
(thousands except per share amounts)

		1996	1995	1994
REVENUE	Net sales.....	\$ 1,193,786	\$ 941,546	\$ 773,474
COSTS AND EXPENSES	Cost of sales.....	593,033	464,571	394,448
	Gross margin.....	600,753	476,975	379,026
	Operating expenses:			
	Research and development.....	177,772	134,265	106,869
	Selling, marketing, general and administrative.....	195,842	184,943	170,341
		-----	-----	-----
		373,614	319,208	277,210
		-----	-----	-----
	Operating income.....	227,139	157,767	101,816
	Nonoperating (income) expenses:			
	Interest expense.....	11,289	4,201	7,149
	Interest income.....	(16,535)	(8,103)	(5,165)
	Other.....	1,645	2,234	2,921
		-----	-----	-----
		(3,601)	(1,668)	4,905
		-----	-----	-----
EARNINGS	Income before income taxes.....	230,740	159,435	96,911
	Provision for income taxes:			
	Payable currently.....	52,115	52,414	30,720
	Deferred (prepaid).....	6,724	(12,249)	(8,305)
		-----	-----	-----
		58,839	40,165	22,415
		-----	-----	-----
	Net income	\$ 171,901	\$ 119,270	\$ 74,496
		=====	=====	=====
	Shares used to compute earnings per share.....	171,289	158,715	154,539
		=====	=====	=====
	Earnings per share of common stock.....	\$ 1.03	\$.75	\$.48
		=====	=====	=====

See accompanying notes.

ANALOG DEVICES, INC.
CONSOLIDATED BALANCE SHEETS

November 2, 1996, October 28, 1995 and October 29, 1994
(thousands except share amounts)

ASSETS		1996	1995	1994
CURRENT ASSETS				
	Cash and cash equivalents.....	\$ 210,109	\$ 69,303	\$ 109,113
	Short-term investments.....	89,810	81,810	72,652
	Accounts receivable less allowances of \$7,374 (\$4,439 in 1995 and \$6,403 in 1994).....	241,847	181,327	162,337
	Inventories.....	218,877	143,962	130,726
	Deferred tax assets.....	44,879	39,650	25,587
	Prepaid expenses and other current assets.....	14,728	9,966	5,042
	Total current assets.....	820,250	526,018	505,457
PROPERTY, PLANT AND EQUIPMENT, AT COST				
	Land and buildings.....	140,776	139,718	111,857
	Machinery and equipment.....	800,086	633,124	477,339
	Office equipment.....	46,307	41,260	36,613
	Leasehold improvements.....	80,099	42,165	33,070
	Less accumulated depreciation and amortization.....	1,067,268 483,946	856,267 424,305	658,879 377,064
	Net property, plant and equipment.....	583,322	431,962	281,815
OTHER ASSETS				
	Investments.....	68,382	13,980	-
	Intangible assets, net.....	16,846	17,230	19,262
	Deferred charges and other assets.....	26,885	12,458	9,337
	Total other assets.....	112,113	43,668	28,599
		<u>\$1,515,685</u>	<u>\$ 1,001,648</u>	<u>\$ 815,871</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
	Short-term borrowings and current portion of long-term debt.....	\$ 178	\$ 2,299	\$ 22,917
	Obligations under capital leases.....	10,960	60	236
	Accounts payable.....	90,177	100,217	74,506
	Deferred income on shipments to domestic distributors...	38,400	27,588	18,881
	Income taxes payable.....	46,459	50,086	29,425
	Accrued liabilities.....	84,062	74,138	60,221
	Total current liabilities.....	270,236	254,388	206,186
NONCURRENT LIABILITIES				
	Long-term debt.....	310,000	80,000	80,000
	Noncurrent obligations under capital leases.....	43,666	-	61
	Deferred income taxes.....	16,992	5,039	3,225
	Other noncurrent liabilities.....	11,956	6,255	4,484
	Total noncurrent liabilities.....	382,614	91,294	87,770
Commitments and Contingencies				
STOCKHOLDERS' EQUITY				
	Preferred stock, \$1.00 par value, 500,000 shares authorized, none outstanding.....	-	-	-
	Common stock, \$.16 2/3 par value, 450,000,000 shares authorized, 158,745,219 shares issued (114,583,932 in 1995 and 75,252,112 in 1994).....	26,458	19,098	12,542
	Capital in excess of par value, net of deferred compen- sation of \$4,679 (\$3,181 in 1995 and \$4,757 in 1994)	176,357	149,775	141,159
	Retained earnings.....	653,365	481,464	362,194
	Cumulative translation adjustment.....	6,655	5,870	6,020
		862,835	656,207	521,915
	Less shares in treasury, at cost, none in 1996 (51,876 in 1995 and none in 1994).....	-	241	-
	Total stockholders' equity.....	862,835	655,966	521,915
		<u>\$1,515,685</u>	<u>\$1,001,648</u>	<u>\$ 815,871</u>

See accompanying notes.

ANALOG DEVICES, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended November 2, 1996, October 28, 1995 and October 29, 1994		COMMON STOCK		CAPITAL IN EXCESS OF	RETAINED	CUMULATIVE TRANSLATION	TREASURY STOCK	
(thousands)		SHARES	AMOUNT	PAR VALUE	EARNINGS	ADJUSTMENT	SHARES	AMOUNT
Balance, October 30, 1993		50,925	\$ 8,488	\$143,502	\$287,698	\$5,473	(1,727)	\$ (13,143)
ACTIVITY IN FISCAL 1994	Net income - 1994				74,496			
	Issuance of stock under stock plans and other, net of repurchases	470	78	7,276			501	3,483
	Compensation recognized under Restricted Stock Plan			1,851				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			2,166				
	Three-for-two stock split	23,857	3,976	(13,636)			1,226	9,660
	Currency translation adjustment					547		
Balance, October 29, 1994		75,252	12,542	141,159	362,194	6,020	--	--
ACTIVITY IN FISCAL 1995	Net income - 1995				119,270			
	Issuance of stock under stock plans and other, net of repurchases	1,137	190	10,462			(35)	(241)
	Compensation recognized under Restricted Stock Plan			1,672				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			2,848				
	Three-for-two stock split	38,195	6,366	(6,366)			(17)	--
	Currency translation adjustment					(150)		
Balance, October 28, 1995		114,584	19,098	149,775	481,464	5,870	(52)	(241)
ACTIVITY IN FISCAL 1996	Net income - 1996				171,901			
	Issuance of stock under stock plans and other, net of repurchases	2,228	371	15,474			52	241
	Exercise of warrants	2,250	375	11,721				
	Compensation recognized under Restricted Stock Plan			1,949				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			4,052				
	Four-for-three stock split*	39,683	6,614	(6,614)				
	Currency translation adjustment					785		
Balance at November 2, 1996		158,745	\$ 26,458	\$176,357	\$653,365	\$6,655	--	\$ --

See accompanying notes.

* See Note 2(p)

ANALOG DEVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 2, 1996, October 28, 1995 and October 29, 1994

(thousands)	1996	1995	1994
OPERATIONS			
Cash flows from operations:			
Net income	\$ 171,901	\$ 119,270	\$ 74,496
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization.....	83,809	64,098	61,284
Deferred income taxes.....	6,565	(12,360)	(6,024)
Other noncash expenses (income).....	(638)	151	2,195
(Increase) in accounts receivable.....	(66,860)	(18,263)	(7,661)
(Increase) decrease in inventories.....	(76,748)	(14,402)	20,756
(Increase) in prepaid expenses and other current assets.....	(4,782)	(4,959)	(598)
Increase in accounts payable, deferred income and accrued liabilities.....	23,844	51,332	28,939
Increase in income taxes payable.....	425	23,784	14,063
Increase (decrease) in other liabilities.....	6,201	1,599	(839)
Total adjustments.....	(28,184)	90,980	112,115
Net cash provided by operations.....	143,717	210,250	186,611
INVESTMENTS			
Cash flows from investments:			
Purchase of short-term investments available for sale...	(262,648)	(166,225)	(72,652)
Maturities of short-term investments available for sale.	254,648	162,067	-
Additions to property, plant and equipment, net.....	(234,099)	(212,671)	(90,856)
Long-term investments.....	(54,402)	-	-
(Increase) in other assets.....	(8,971)	(16,878)	(3,269)
Purchase of short-term investments held to maturity....	-	(7,200)	-
Maturities of short-term investments held to maturity...	-	2,200	-
Net cash used for investments.....	(305,472)	(238,707)	(166,777)
FINANCING ACTIVITIES			
Cash flows from financing activities:			
Proceeds from issuance of long-term debt.....	224,385	-	-
Proceeds from equipment financing.....	61,793	-	-
Proceeds from employee stock plans.....	14,028	10,126	9,821
Proceeds from warrants exercised.....	12,096	-	-
Net increase (decrease) in variable rate borrowings....	(3,580)	(787)	485
Payments on capital lease obligations.....	(7,227)	(237)	(335)
Payments on long-term debt.....	-	(20,000)	-
Net cash (used for) provided by financing activities.....	301,495	(10,898)	9,971
Effect of exchange rate changes on cash.....	1,066	(455)	(1,360)
Net increase (decrease) in cash and cash equivalents.....	140,806	(39,810)	28,445
Cash and cash equivalents at beginning of year.....	69,303	109,113	80,668
Cash and cash equivalents at end of year.....	\$ 210,109	\$ 69,303	\$ 109,113
SUPPLEMENTAL INFORMATION			
Cash paid during the year for:			
Income taxes.....	\$ 52,541	\$ 30,511	\$ 12,965
Interest.....	\$ 10,171	\$ 6,685	\$ 6,923

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 2, 1996, OCTOBER 28, 1995 AND OCTOBER 29, 1994
(ALL TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

Analog Devices, Inc. ("Analog" or the "Company") designs, manufactures and markets a broad line of high-performance linear, mixed-signal and digital integrated circuits ("ICs") that address a wide range of real-world signal processing applications. The Company's two principal product groups are general-purpose, standard-function linear and mixed-signal ICs ("SLICs") and system-level ICs. The latter group includes general-purpose digital signal processing ICs (DSPs) and application-specific devices that typically incorporate analog and mixed-signal circuitry and a DSP core. Analog's third product group consists of devices manufactured using assembled product technology.

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 significant intercompany accounts and transactions are eliminated. The Company's fiscal year ends on the Saturday closest to the last day in October. Fiscal year 1996 was a 53 week year, while 1995 and 1994 were each 52 week years.

Certain amounts reported in previous years have been reclassified to conform to the 1996 presentation.

b. CASH, CASH EQUIVALENTS AND 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. Investments with maturities between three and twelve months at time of acquisition are considered short-term investments. Short-term investments consist of debt securities such as commercial paper, time deposits, certificates of deposit and bankers acceptances. Long-term investments consist of equity securities and bank money market funds as well as time deposits which the Company intends to renew at each maturity date.

Effective October 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115), which creates certain classification categories for such investments, based on the nature of the securities and the intent and investment goals of the Company. FAS 115 requires investments in debt and equity securities to be classified as "held-to-maturity," "available-for-sale," or "trading" at the time of purchase and for such designation to be reevaluated as of each balance sheet date. 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. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported as a separate component of stockholders' equity. Realized gains and losses, declines in value judged to be other than temporary, as well as interest, dividends and capital gains distributions on all securities are included in earnings. At November 2, 1996, the Company did not own any securities classified as trading.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

While it is the intent of management to hold securities to maturity, unforeseen events, while not generally expected, could cause the Company to liquidate certain securities prior to maturity. Accordingly, those securities which could readily be sold back to the seller are classified as available-for-sale. Securities, such as bank time deposits, which by their nature are typically held-to-maturity are classified as such. The following is a summary of available-for-sale and held-to-maturity securities at November 2, 1996 and October 28, 1995:

1996	AVAILABLE-FOR-SALE			HELD-TO-MATURITY	
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE	COST
=====					
Cash equivalents:					
Commercial paper	\$ 83,713	\$ --	\$-	\$ 83,713	\$ --
Euro time deposits	--	--	-	--	94,656
Certificates of deposit	8,000	--	-	8,000	--
Short-term investments:					
Commercial paper	89,810	--	-	89,810	--
Long-term investments:					
Equity securities	4,186	386	2	4,570	--
Euro time deposits	--	--	-	--	836
Bank money market fund	19	--	-	19	--

Total	\$185,728	\$386	\$2	\$186,112	\$95,492
=====					
1995					
=====					
Cash equivalents:					
Commercial paper	\$ 27,727	\$ --	\$-	\$ 27,727	\$ --
Euro time deposits	--	--	-	--	31,300
Short-term investments:					
Commercial paper	73,874	--	-	73,874	--
Bankers' acceptances	2,936	--	-	2,936	--
Euro time deposits	--	--	-	--	5,000

Total	\$104,537	\$ --	\$-	\$104,537	\$36,300
=====					

Cash equivalents and short-term investments classified as available-for-sale and held-to-maturity at November 2, 1996 and October 28, 1995 have contractual maturities of six months or less at time of acquisition. Because of the short term to maturity, and hence relative price insensitivity to changes in market interest rates, amortized cost approximates fair value for all of these securities. As such, no unrealized gains or losses were recorded during each of those years. Long-term bank time deposits, although renewed on a continual basis, typically have original maturities of two weeks. As such, they are price insensitive to changes in market interest rates and amortized cost therefore approximates fair value. Bank money market funds, which have been categorized as long-term investments, by their nature maintain a constant par value of \$1 per share. Amortized cost for these securities, therefore, approximates fair value.

The fair value of long-term equity securities was determined based on published market quotes at November 1, 1996. The net unrealized gain of \$384,000 is included in stockholders' equity at November 2, 1996. There were no gross realized gains from the sale of available-for-sale securities for the years ended November 2, 1996 and October 28, 1995. Gross realized losses from the sale of available-for-sale securities for the year ended November 2, 1996 were not material. There were no gross realized losses from the sale of available-for-sale securities for the year ended October 28, 1995.

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

c. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories at November 2, 1996, October 28, 1995 and October 29, 1994 were as follows:

	1996	1995	1994
Raw materials	\$ 31,039	\$ 22,327	\$ 15,277
Work in process	115,799	77,526	69,771
Finished goods	72,039	44,109	45,678
Total inventories	\$ 218,877	\$ 143,962	\$ 130,726

A director of a raw material supplier was also a director of the Company through January 1995. Total purchases from this supplier approximated \$11,038,000 through January 1995 and \$28,435,000 in 1994. Accounts payable to this supplier at October 29, 1994 approximated \$1,090,000. The Company believes that the terms of these purchases were comparable to those available from other suppliers.

d. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less allowances for depreciation and amortization. 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. Capitalized leases and 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	3-10 years
Office Equipment	3-8 years

Total depreciation and amortization of property, plant and equipment was \$81,740,000, \$62,066,000 and \$59,240,000 in 1996, 1995 and 1994, respectively.

e. INTANGIBLE ASSETS

Intangible assets at November 2, 1996 consist of goodwill, patents and other intangibles. Goodwill is being amortized on a straight-line basis over a fifteen-year period. Patents and other intangibles are being amortized on a straight-line basis over their estimated economic lives which range from seven to fifteen years. Amortization expense for all intangible assets was \$2,069,000, \$2,032,000 and \$2,044,000 in 1996, 1995 and 1994, respectively. Accumulated amortization for all intangible assets was \$12,737,000, \$10,668,000 and \$8,636,000 at November 2, 1996, October 28, 1995 and October 29, 1994, respectively. On a periodic basis, the Company estimates the future undiscounted cash flows of the businesses to which the intangible assets relate in order to ensure that the carrying value of such intangible assets has not been impaired.

f. GRANT ACCOUNTING

The Company's manufacturing facility in Limerick, Ireland has received various grants from the Industrial Development Authority of the Republic of Ireland. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

g. TRANSLATION OF FOREIGN CURRENCIES

The functional currency for the Company's foreign sales operations is the applicable local currency. Gains and losses resulting from translation of these foreign currencies into U.S. dollars are accumulated in a separate component of stockholders' equity. Transaction gains and losses are included in income currently, including those at the Company's principal foreign manufacturing operations where the functional currency is the U.S. dollar. Net foreign currency transaction gains or losses included in other expenses, net, were not material in fiscal 1996, 1995 and 1994.

h. FOREIGN CURRENCY INSTRUMENTS AND INTEREST RATE AGREEMENTS

The Company enters into forward foreign exchange contracts, foreign currency option contracts and currency swap agreements to offset certain operational and balance sheet exposures from 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 Japanese yen and European currencies. These foreign exchange contract, option and swap transactions 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.

Forward foreign exchange contracts are utilized to manage the risk associated with currency fluctuations on certain firm sales and purchase commitments denominated in foreign currencies and certain non-U.S. dollar denominated asset and liability positions. The Company's forward foreign exchange contracts are primarily denominated in Japanese yen and certain European currencies and are for periods consistent with the terms of the underlying transactions, generally one year or less. The forward foreign exchange contracts that relate to firm, foreign currency sales and purchase commitments are designated and effective as hedges of firm, identifiable foreign currency commitments, and accordingly, the gains and losses resulting from the impact of currency exchange rate movements on these contracts are not recognized in operations until the underlying hedged transactions are recognized. Upon recognition, such gains and losses are recorded in operations as an adjustment to the carrying amount of the underlying transactions in the period in which these transactions are recognized. Unrealized gains and losses resulting from the impact of currency exchange rate movements on forward foreign exchange contracts designated to offset certain non-U.S. dollar denominated assets and liabilities are recognized as other income or expense in the period in which the exchange rates change and offset the foreign currency gains and losses on the underlying exposures being hedged. The contract amounts of forward foreign exchange contracts outstanding were \$147.0 million, \$181.7 million and \$136.4 million at November 2, 1996, October 28, 1995 and October 29, 1994, respectively.

The Company also may periodically enter into foreign currency option contracts to offset certain probable anticipated, but not firmly committed, foreign currency transactions related to the sale of product during the ensuing nine months. When the dollar strengthens significantly against the foreign currencies, the decline in value of future currency cash flows is partially offset by the gains in value of the purchased currency options designated as hedges. Conversely, when the dollar weakens, the increase in value of future foreign currency cash flows is reduced only by the premium paid to acquire the options. The Company's foreign currency option contracts are primarily denominated in Japanese yen and generally have maturities which do not exceed six months. These foreign currency option contracts are designated and effective as hedges of anticipated foreign currency sales transactions, and accordingly, the premium cost and any realized gains associated with these contracts are deferred and included in the consolidated balance sheet as prepaid expenses and accrued liabilities, respectively, until such time as the underlying sales transactions are recognized. Upon recognition, such premium costs and any realized gains are recorded in sales as a component of the underlying sales transactions being hedged. The contract amounts of foreign currency option contracts outstanding were \$27.6 million, \$26.9 million and \$28.6 million at November 2, 1996, October 28, 1995 and October 29, 1994, respectively. Deferred gains or losses attributable to foreign currency option contracts were not material at November 2, 1996, October 28, 1995 and October 29, 1994.

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company uses currency swap agreements to hedge the value of its net investment in certain of its foreign subsidiaries. Realized and unrealized gains and losses on such agreements related to the net foreign investment being hedged are recognized in the cumulative translation adjustment component of stockholders' equity, with the related amounts due to or from counterparties included in accrued liabilities or other current assets. The contract amount of currency swap agreements outstanding, which were principally denominated in Japanese yen, was \$10.0 million at November 2, 1996, October 28, 1995 and October 29, 1994. The currency swap agreement outstanding at November 2, 1996 has a remaining maturity of 3.5 years and is expected to remain in effect until expiration.

The Company enters into interest rate swap and cap agreements to manage its exposure to interest rate movements by effectively converting a portion of its debt and certain financing arrangements from fixed to variable rates. Maturity dates of interest rate swap and cap agreements generally match those of the underlying debt or financing arrangements. These agreements, which have maturities of up to eleven years involve the exchange of fixed rate payments for variable rate payments without the exchange of the underlying principal amounts. Variable rates are based on six-month U.S. dollar LIBOR and reset on a semiannual basis. The differential between fixed and variable rates to be paid or received is accrued as interest rates change in accordance with the agreements and recognized over the life of the agreements as an adjustment to interest expense. The notional principal amounts of interest rate swap and cap agreements outstanding were \$50.2 million, \$50.3 million and \$50.5 million at November 2, 1996, October 28, 1995 and October 29, 1994.

The cash requirements of the above-described financial instruments approximate their fair value. Cash flows associated with these financial instruments are classified consistent with the cash flows from the transactions 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 and the amount of agreements entered into 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

i. 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. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

(THOUSANDS OF DOLLARS)	NOVEMBER 2, 1996		OCTOBER 28, 1995		OCTOBER 29, 1994	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets:						
Cash and cash equivalents	210,109	210,109	69,303	69,303	109,113	109,113
Short-term investments	89,810	89,810	81,810	81,810	72,652	72,652
Long-term investments	5,425	5,425	--	--	--	--
Liabilities:						
Short-term borrowings	(178)	(178)	(2,299)	(2,299)	(2,917)	(2,917)
Long-term debt, including current portion	(310,000)	(369,513)	(80,000)	(80,130)	(100,000)	(93,800)
Foreign Currency Instruments and Interest Rate Agreements:						
Interest rate swap and cap agreements	18	(491)	(30)	(175)	5	(3,065)
Forward foreign currency exchange contracts	2,672	3,585	7,798	9,089	(1,458)	641
Foreign currency option contracts	130	240	388	1,645	308	41
Currency swap agreements	1,131	922	413	485	(853)	(840)

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

Cash, cash equivalents and investments -The carrying amounts of these items are a reasonable estimate of their fair value due to the short term to maturity and readily available market for these types of investments.

Short-term borrowings-The carrying amounts of these variable-rate borrowings approximate fair value due to the short period of time to maturity.

Long-term debt-The fair value of long-term debt is estimated based on current interest rates available to the Company for debt instruments with similar terms, degree of risk and remaining maturities.

Interest rate swap and cap agreements-The fair value of interest rate swap and cap agreements are 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 is based on the estimated amount at which they could be settled based on market exchange rates.

Foreign currency option contracts and currency swap agreements-The fair values of foreign currency option contracts and currency swap agreements are obtained from dealer quotes. These values represent the estimated net amount the Company would receive or pay to terminate the agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

j. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets, allowances for doubtful accounts and customer returns, inventory reserves, potential reserves relating to litigation matters, accrued liabilities, and other reserves. Actual results could differ from those estimates, and such differences may be material to the financial statements.

k. CONCENTRATIONS OF CREDIT RISK

Financial instruments which 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 with high credit quality financial institutions and monitors the amount of credit exposure to any one financial institution.

The Company sells its products to distributors and original equipment manufacturers involved in a variety of industries including industrial automation, instrumentation, military/aerospace, and to an increasing degree, communications, computers and peripherals, and high-performance consumer electronics. The Company has adopted credit policies and standards to accommodate growth into 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. Bad debt losses to date have been insignificant.

l. 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. As a result, the Company may experience significant period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

m. REVENUE RECOGNITION

Revenue from product sales to end users is recognized upon shipment. A portion of the Company's sales are made to domestic distributors under agreements allowing for price protection and certain rights of return on merchandise unsold by the distributors. Because of the uncertainty associated with pricing concessions and future returns, the Company defers recognition of such sales and related gross margin until the merchandise is sold by the distributors. For sales to international distributors, the Company recognizes the sale upon shipment to the distributor, but provides specific reserves for possible returns and allowances.

n. INCOME TAXES

Income taxes have been provided in accordance with FAS 109, "Accounting for Income Taxes," under which deferred tax liabilities and assets at the end of each period are determined based on the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rate expected to be in effect when the taxes are actually paid or recovered. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance.

o. STOCK-BASED COMPENSATION

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees (and intends to continue to do so) and, accordingly, recognizes no compensation expense for the stock option grants.

p. STOCK SPLIT

On December 3, 1996, the Company's Board of Directors authorized a four-for-three stock split effected in the form of a 33 1/3% stock dividend distributed on January 6, 1997 to stockholders of record December 16, 1996. The split was accomplished through the issuance of common stock. All references to share and per share amounts in this report have been restated to reflect the split.

q. EARNINGS PER SHARE OF COMMON STOCK

Primary earnings per common share are computed based on the weighted average number of common shares outstanding during the year, adjusted for incremental shares assumed issued (including incremental shares for 3 1/2% convertible debt) for dilutive common stock equivalents. Fully diluted earnings per share do not differ materially from primary earnings per share.

r. NEW ACCOUNTING STANDARDS

The Company has not yet adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" which will require adoption in fiscal 1997. The Company does not believe the adoption of these statements will have a material impact on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. INDUSTRY AND GEOGRAPHIC SEGMENT INFORMATION

INDUSTRY

The Company operates predominantly in one industry segment: the design, manufacture and marketing of a broad line of high-performance linear, mixed-signal and digital integrated circuits that address a wide range of real-world signal processing applications.

GEOGRAPHIC INFORMATION

The Company operates in three major geographic areas. Information on the Company's geographic operations is set forth in the table below. The predominant countries comprising European operations are England, France, Germany and Ireland. The predominant country comprising Asian operations is Japan. For segment reporting purposes, sales generated by North American operations in the table include export sales of \$159,862,000, \$97,446,000 and \$96,700,000 in 1996, 1995 and 1994, respectively. Transfers between geographic areas are based on market comparables and are consistent with prevailing tax regulations. Operating income reflects the allocation of corporate expenses of \$24,093,000, \$23,190,000 and \$19,718,000 in 1996, 1995 and 1994, respectively, to the appropriate geographic area based upon their beneficial and causal relationship to each area. Corporate identifiable assets consist of cash equivalents, short-term investments and intangible assets.

GEOGRAPHIC SEGMENT INFORMATION		1996	1995	1994
SALES	North America, including export.....	\$ 658,627	\$ 509,625	\$ 440,609
	Europe.....	364,308	264,401	198,000
	Asia.....	170,851	167,520	134,865
	Total sales.....	\$ 1,193,786	\$ 941,546	\$ 773,474
TRANSFERS BETWEEN AREAS	North America, including export.....	\$ 348,574	\$ 286,021	\$ 192,442
	Europe.....	189,911	141,925	110,801
	Asia.....	39,749	30,180	19,603
	Total transfers between areas.....	\$ 578,234	\$ 458,126	\$ 322,846
OPERATING INCOME	North America, including export.....	\$ 121,877	\$ 92,640	\$ 52,706
	Europe.....	103,158	63,627	47,170
	Asia.....	2,104	1,500	1,940
	Total operating income.....	\$ 227,139	\$ 157,767	\$ 101,816
IDENTIFIABLE ASSETS	North America, including export.....	\$ 735,352	\$ 440,660	\$ 354,881
	Europe.....	368,682	294,094	176,755
	Asia.....	118,627	108,827	95,988
	Corporate.....	293,024	158,067	188,247
	Total assets.....	\$ 1,515,685	\$ 1,001,648	\$ 815,871

4. INVESTMENTS

Investments at November 2, 1996 and October 28, 1995 were as follows:

	1996	1995
WaferTech, LLC	\$ 42,073	\$ -
CSM	20,784	13,980
Other	5,525	-
	\$ 68,382	\$ 13,980

In June 1996, the Company entered into a joint venture agreement with Taiwan Semiconductor Manufacturing Co., Ltd., two other companies and several individual investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington. The Company received an 18% equity ownership in the joint venture, known as WaferTech, in return for a \$140.4 million investment. The investment is to be made in three installments. The first installment of \$42.1 million was paid in June 1996. A second installment of \$42.1 million was paid in December 1996 and the remaining installment of \$56.2 million is due November 3, 1997. In addition, the Company has an obligation to guarantee its pro rata share of debt incurred by WaferTech, up to a maximum for the Company of \$45 million. The Company intends to apply the equity basis of accounting to this investment in WaferTech based on the Company's ability to exercise significant influence on the operating and financial policies of the joint venture. The operating results of this joint venture to date have not been material.

In January 1996, in accordance with a previous agreement, the Company made an additional equity investment of approximately \$7.0 million in Chartered Semiconductor Manufacturing Pte., Ltd. in Singapore for a total equity investment of approximately \$21.0 million which represents a less than 5% ownership interest. The Company accounts for this investment under the cost method.

5. ACCRUED LIABILITIES

Accrued liabilities at November 2, 1996, October 28, 1995 and October 29, 1994 consisted of the following:

	1996	1995	1994
Accrued compensation and benefits	\$ 48,848	\$ 47,785	\$ 33,908
Other	35,214	26,353	26,313
Total accrued liabilities	\$ 84,062	\$ 74,138	\$ 60,221

6. DEBT AND CREDIT FACILITIES

3 1/2% NOTES

On December 18, 1995, the Company completed a public offering of \$230,000,000 of five-year 3-1/2% Convertible Subordinated Notes due December 1, 2000 with semiannual interest payments due on June 1 and December 1. The Notes are convertible, at the option of the holder, into the Company's common stock at any time, unless previously redeemed by the Company, at a conversion price of \$20.938 per share, subject to adjustment in certain events. The net proceeds of the offering were approximately \$224 million after payment of the underwriting discount and expenses of the offering which will be amortized over the term of the Notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6 5/8% NOTES

On March 11, 1993, the Company completed a public offering of \$80 million of seven-year 6 5/8% Notes due March 1, 2000 with semiannual interest payments due on March 1 and September 1. The net proceeds of the offering were approximately \$79 million after payment of the underwriting discounts and expenses of the offering which were deferred and are being amortized to interest expense over the term of the Notes. Simultaneous with the sale of the Notes, the Company entered into an interest rate swap and cap agreement for the term of the Notes having a notional principal amount of \$40 million whereby the effective net interest rate on \$40 million of the Notes will be the six-month LIBOR rate (up to a maximum of 7%) plus 1.4%. For the year ended November 2, 1996, the net effective interest rate on \$40 million of the Notes was 7.3% after giving effect to the interest rate swap agreement.

REVOLVING CREDIT AGREEMENT AND LINES OF CREDIT

The Company has a revolving credit agreement with several banks which commits them to lend up to \$60,000,000. The terms of the credit agreement provide that interest on U.S. dollar borrowings may not exceed the greater of the prime rate or the federal funds rate plus .50%. Under this agreement, the Company also has the option to borrow both U.S. dollars and foreign currencies at interest rates tied to various money market instruments, customarily below the prime rate. Under the credit agreement, the Company is currently required to pay a fee of .125 of 1% per annum on the total amount of the committed facility. All borrowings under the credit agreement are due no later than October 25, 2000. Borrowing from banks not participating in the agreement is permitted as long as the Company maintains certain required financial ratios. The credit agreement requires the Company to maintain stated minimum net worth and current ratio levels, plus a stated maximum ratio of total liabilities to net worth. In addition, the credit agreement restricts the aggregate of all cash dividend payments declared or made subsequent to November 2, 1996 to an amount not exceeding \$150,000,000 plus 50% of the consolidated net income of the Company for the period from November 3, 1996 through the end of the Company's then most recent fiscal quarter. At November 2, 1996 this amount was equal to \$150,000,000. At November 2, 1996, the Company was in compliance with all covenants under the credit agreement. There are no compensating balance requirements under the credit agreement. In addition to the credit agreement, the Company also has various unsecured, uncommitted money market lines of credit with its credit agreement and other banks which provide for short-term borrowings.

There were no variable rate U.S. dollar borrowings under the credit agreement or the uncommitted money market lines of credit during 1996, 1995 and 1994 nor were there any such borrowings outstanding at November 2, 1996, October 28, 1995 or October 29, 1994. The weighted average interest rates of foreign currency borrowings under foreign lines of credit were 5.2%, 7.2% and 8.7% during 1996, 1995 and 1994, respectively. The weighted average interest rates of foreign currency borrowings were 7.0%, 6.2% and 7.4% at November 2, 1996, October 28, 1995 and October 29, 1994, respectively. There were \$0.2 million of foreign currency borrowings outstanding at November 2, 1996, which were at prevailing money market rates for the respective currencies. Borrowings under the Company's credit agreement and lines of credit are generally due within six months.

Long-term debt, including current maturities, at November 2, 1996, October 28, 1995 and October 29, 1994 consisted of the following:

	1996	1995	1994
3 1/2% Convertible Subordinated Notes due 2000	\$ 230,000	\$ -	\$ -
6 5/8% Notes due 2000	80,000	80,000	80,000
7.18% term loan	-	-	20,000
	-----	-----	-----
	310,000	80,000	100,000
Less current portion of long-term debt	-	-	20,000
	-----	-----	-----
Long-term debt	\$ 310,000	\$ 80,000	\$ 80,000

Aggregate principal payments on long-term debt and short-term borrowings for the following fiscal years are: 1997-\$0.2 million; 2000-\$80.0 million; and 2001-\$230.0 million.

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. LEASE COMMITMENTS

The Company leases certain of its facilities and equipment under various operating and capital leases which expire at various dates through 2010. The lease agreements frequently include renewal and purchase provisions and require the Company to pay taxes, insurance and maintenance costs.

Total rental expense under operating leases was \$11,573,000, \$11,243,000 and \$9,985,000 in 1996, 1995 and 1994, respectively.

The following is a schedule of future minimum lease payments under capital leases and rental payments required under long-term operating leases at November 2, 1996:

FISCAL YEARS	OPERATING LEASES	CAPITAL LEASES
1997	\$ 9,941	\$ 12,166
1998	9,155	12,126
1999	7,279	12,081
2000	6,602	12,044
2001	4,887	5,332
Later Years	13,131	6,919
Total	\$ 50,995	\$ 60,668
Less amount representing interest		(6,042)
Present value of minimum lease payments		\$ 54,626

Net property, plant and equipment includes the following for capital leases:

	1996	1995	1994
Land and buildings	\$ -	\$ 1,828	\$ 1,828
Machinery and equipment	61,793	829	829
Less accumulated amortization	(4,198)	(2,639)	(2,468)
Net capital leases	\$ 57,595	\$ 18	\$ 189

8. COMMITMENTS AND CONTINGENCIES

LITIGATION

The Company was a defendant in two lawsuits brought in Texas by Texas Instruments, Inc. ("TI"), alleging patent infringement, including patent infringement arising from certain plastic encapsulation processes, and seeking an injunction and unspecified damages against the Company. The alleged infringement of one of these patents was also the subject matter of a proceeding brought by TI against the Company before the International Trade Commission ("ITC"). On January 10, 1994, the ITC brought an enforcement proceeding against the Company alleging that the Company had violated the ITC's cease and desist order of February 1992 (as modified in July 1993), which prohibited the Company's importation of certain plastic encapsulated circuits, and seeking substantial penalties against the Company for these alleged violations. In addition, in June 1992, the Company commenced a lawsuit against TI in Massachusetts alleging certain TI digital signal processors infringed one of the Company's patents. Effective April 1, 1995, the Company and TI settled both Texas lawsuits and the Massachusetts lawsuit principally by means of a royalty-free cross license of certain of the Company's and TI's patents.

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On April 25, 1995, the Company filed with the ITC a motion to terminate the ITC enforcement proceeding on the grounds that further action by the ITC was unnecessary in light of the Company's settlement with TI. On May 8, 1995, an Administrative Law Judge issued a recommended determination to the ITC to grant the Company's motion to terminate the ITC proceeding. The investigative office of the ITC opposed the motion, claiming that, notwithstanding the Company's settlement with TI, the Company's alleged violation of the ITC's cease and desist order warranted the imposition of substantial penalties. On September 11, 1996, the ITC adopted the determination of the Administrative Law Judge to terminate the enforcement proceeding and referred to the Department of Justice by letter certain allegations that the Company made false representations in reports filed with the ITC. The Company advised the Department of Justice that it has consistently and vigorously denied such allegations during the entire course of the proceedings before the ITC and the Department of Justice informed the Company that its statement would be considered in connection with any action it may take on the matter. The Company is aware of no further activity by the Department of Justice, and is unable to determine whether further activity will occur regarding the foregoing matter.

In addition, from time to time as a normal incidence of the nature 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 and product liability. Such litigation includes patent infringement actions brought against the Company by Sextant Avionique, S.A. in France and the United States and Commissariat A. L'energie Atomique C.E.A. in France, claiming that the Company's accelerometer infringes certain patents. While there can be no assurance that the Company will prevail in any of these matters, the Company does not believe that these matters will have a material adverse effect on the Company's consolidated financial position or consolidated results of operations. However, an adverse resolution could have an adverse effect on the Company's consolidated results of operations in the quarter in which these matters are resolved.

IRISH GRANTS

The Company's manufacturing facility in Limerick, Ireland has received operating and capital grants from Ireland's Industrial Development Authority. A liability to repay up to \$21.4 million of the grants received by the Company would arise in the unlikely event the Company should discontinue its Irish operations prior to the commitment periods noted in the grant agreements which expire at various dates through 2006.

WAFER SUPPLY AGREEMENTS

In fiscal 1995, the Company had entered into a supply agreement with its primary wafer foundry, TSMC. Under this agreement, the Company was to make a series of advance payments to TSMC aggregating \$22.4 million, payable over a three-year period, in order to secure access to a minimum level of wafer capacity over the period from 1996 to 1999. However, during fiscal 1996 the arrangement was modified whereby the Company would maintain a constant deposit of \$6.4 million with TSMC.

In January 1996, the Company entered into an additional agreement with CSM whereby the Company will provide a total deposit of approximately \$20.0 million to be paid in several installments in 1996 and 1997. In fiscal 1996 \$8.0 million was provided to CSM under this arrangement and is classified in the balance sheet line item "Deferred Charges and Other Assets." Under the terms of this agreement, the deposit will guarantee access to certain quantities of sub-micron wafers through fiscal 2000. If the Company does not purchase the minimum quantities under the agreement, the deposit will be forfeited for the value of the wafer shortfall up to the total amount of \$20.0 million. At the end of the agreement term, the Company's deposit will be returned, net of any forfeitures.

9. STOCKHOLDERS' EQUITY

COMMON STOCK

In March 1996, the stockholders approved an amendment to the Company's Articles of Organization to increase the authorized number of shares of common stock from 300,000,000 to 450,000,000. In December 1996, the Board of Directors authorized an amendment to the Company's Articles of Organization to increase the authorized number of shares of common stock from 450,000,000 to 600,000,000 subject to stockholder approval in March 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STOCK PLANS

The 1988 Stock Option Plan provides for the issuance of nonstatutory and incentive stock options to purchase up to 29,900,000 shares of common stock. Under this plan, options may be granted to key employees of the Company and its subsidiaries at a price not less than 100% of the fair market value of the underlying stock on the date of grant. The Company's 1980 Stock Option Plan was terminated upon adoption of the 1988 Stock Option Plan; however, options to purchase common stock remain outstanding under this plan.

While the Company may grant options to employees which become exercisable at different times or within different periods, the Company has generally granted options to employees which are exercisable on a cumulative basis in annual installments of 33 1/3% each on the third, fourth and fifth anniversaries of the date of grant.

Under the 1994 Director Stock Option Plan, each nonemployee director is granted annually for four years a nonstatutory option to purchase 10,500 shares of common stock at an exercise price equal to the fair market value on the date of grant. A total of 400,000 shares of common stock may be issued under this plan. These options are exercisable on a cumulative basis in annual installments of 33 1/3% each on the first, second and third anniversaries of the date of grant. The Company also has options outstanding under the 1992 Director Option Plan and the 1989 Director Stock Option Plan. Options granted under these plans are exercisable on a cumulative basis in annual installments of 33 1/3% each on the third, fourth and fifth anniversaries of the date of grant.

Transactions under the Company's stock option plans are summarized in the table below:

STOCK OPTION ACTIVITY	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING		
		NUMBER	OPTION PRICE PER SHARE	AGGREGATE PRICE
Balance, October 30, 1993	11,617	10,085	\$ 1.96 to \$ 8.04	\$ 30,067
Options granted	(4,121)	4,121	\$ 7.04 to \$ 10.00	30,482
Options exercised	-	(1,365)	\$ 1.96 to \$ 6.13	(4,250)
Options canceled (1)	247	(248)	\$ 1.96 to \$ 8.58	(844)
Balance, October 29, 1994	7,743	12,593	\$ 1.96 to \$ 10.00	55,455
Shares authorized for 1994 Director Stock Option Plan	400	-	-	-
Options granted	(3,550)	3,550	\$ 10.25 to \$ 17.57	36,887
Options exercised	-	(1,416)	\$ 1.96 to \$ 5.25	(3,960)
Options canceled (1)	495	(524)	\$ 1.96 to \$ 10.25	(2,989)
Shares canceled upon termination of 1992 Director Option Plan	(91)	-	-	-
Balance, October 28, 1995	4,997	14,203	\$ 1.96 to \$ 17.57	85,393
Additional shares authorized for 1988 Stock Option Plan	9,200	-	-	-
Options granted	(3,881)	3,901	\$ 14.63 to \$ 20.25	63,286
Options exercised	-	(2,072)	\$ 1.96 to \$ 10.25	(5,808)
Options canceled (1)	451	(454)	\$ 1.96 to \$ 20.25	(4,706)
Balance, November 2, 1996	10,767	15,578	\$ 1.96 to \$ 20.25	\$ 138,165
Options exercisable at November 2, 1996		3,588	\$ 1.96 to \$ 11.09	\$ 10,853

(1) Options canceled which were originally issued from the 1988 Stock Option Plan are available for subsequent grants. The remaining options canceled in 1996, 1995 and 1994 were issued from the 1980 Stock Option and 1992 Director Option Plans under which no further options will be granted.

The Company has a stock purchase plan that allows 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 purchased 664,200 shares in 1996 (835,700 and 1,047,600 in 1995 and 1994, respectively) for \$9.0 million (\$6.9 million and \$6.0 million in 1995 and 1994, respectively). At November 2, 1996, 1,543,400 common shares remained available for issuance under the stock purchase plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Under the 1991 Restricted Stock Plan, a maximum of 2,700,000 shares of common stock may be awarded by the Company to key employees for nominal consideration. This plan succeeded the Company's 1978 Restricted Stock Plan which provided for the issuance of up to 7,372,800 shares of common stock. Shares awarded from both plans are restricted as to transfer, usually for a period of five years and, under certain conditions, may be subject to repurchase by the Company at the original purchase price per share. Shares awarded under the Company's restricted stock plans, net of cancellations, for 1996, 1995 and 1994 were 212,000, 20,000 and 471,000, respectively. The fair market value of the shares at the date of award was accounted for as deferred compensation and is being amortized over the restricted period. During 1996, 1995 and 1994, \$1,949,000, \$1,672,000 and \$1,851,000, respectively, of such compensation was charged to expense. At November 2, 1996, there were 983,000 shares of common stock available for issuance under the 1991 Restricted Stock Plan.

As of November 2, 1996, a total of 39,871,925 common shares were reserved for issuance under the Company's stock plans.

PREFERRED STOCK

The Company has 500,000 authorized shares of \$1.00 par value Preferred Stock. 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 1988, the Board of Directors adopted a Stockholder Rights Plan which was amended in 1989. Pursuant to the Stockholder Rights Plan, each share of common stock has an associated right. Under certain circumstances, each right entitles the holder to purchase from the Company one share of common stock at an exercise price of \$20.00 per share, subject to adjustment.

The rights are not exercisable and cannot be transferred separately from the common stock until ten days after a person acquires 20% or more or makes a tender offer for 30% or more of the Company's common stock. If, after the rights become exercisable, (i) any person becomes the owner of 20% or more of the Company's common stock, or (ii) the Company is the surviving entity in a merger with a 20% or more stockholder, or (iii) a 20% or more stockholder engages in certain "self-dealing" transactions with the Company, each right not owned by such person will entitle its holder to purchase, at the right's exercise price, common stock having a value of two times the exercise price of the right. In addition, if the Company is either (i) acquired in a merger or other business combination in which the Company is not the surviving entity, or (ii) sells or transfers 50% or more of its assets or earning power to another party, each right will entitle its holder to purchase, upon exercise, common stock of the acquiring Company having a value equal to two times the exercise price of the right.

The rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. The rights expire on February 12, 1998 but may be redeemed by the Company for \$.0067 per right at any time prior to the tenth day following a person's acquisition of 20% or more of the Company's common stock. So long as the rights are not separately transferable, the Company will issue one right with each new share of common stock issued.

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. 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 contributed an amount equal to each participant's contribution, if any, up to a maximum of 2% of each participant's total eligible compensation. During fiscal 1996, the Company's contributions increased to match an additional 50% of employee contributions between 2% and 4% of total eligible compensation. The Company also has various defined benefit pension and other retirement plans for certain foreign employees that are consistent with local statutes and practices. The total expense related to all of the Company's retirement plans in 1996, 1995 and 1994 was \$16.8 million, \$14.0 million and \$12.6 million, respectively, which primarily consists of costs related to the domestic defined contribution plan. Also included in total expense is pension expense related to foreign defined benefit plans of \$3.3 million for 1996, \$2.5 million for 1995 and \$2.5 million for 1994. Summary data related to these foreign plans at November 2, 1996 is as follows: accumulated benefit obligation, substantially vested, of \$24.3 million; projected benefit obligation of \$40.7 million; plan assets at fair value of \$38.2 million; discount rates ranging from 4% to 15%; compensation increase rates ranging from 3% to 12% and expected rate of return on assets ranging from 4% to 15%.

11. INCOME TAXES

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

	LIABILITY METHOD		
	1996	1995	1994
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Income tax provision reconciliation:			
Tax at statutory rate	\$ 80,759	\$ 55,803	\$ 33,919
Irish income subject to lower tax rate	(17,813)	(13,436)	(7,299)
Change in valuation allowance	(2,641)	--	(4,265)
State income taxes, net of federal benefit	1,338	1,833	1,076
Research and development tax credits	(1,300)	(325)	(1,074)
Foreign Sales Corporation	(3,575)	(3,200)	(731)
Amortization of goodwill	506	503	503
Net foreign tax in excess of (less than)			
U.S. federal statutory tax rate	957	(1,076)	247
Other, net	608	63	39

Total income tax provision	\$ 58,839	\$ 40,165	\$ 22,415

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

	1996	1995	1994
Pretax income:			
Domestic	\$ 101,760	\$ 76,230	\$35,621
Foreign	128,980	83,205	61,290

Total	\$ 230,740	\$159,435	\$96,911

ANALOG DEVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	1996	1995	1994
Current:			
Federal	\$ 34,278	\$ 32,860	\$ 18,479
Foreign	15,737	16,734	10,576
State	2,100	2,820	1,665
Total current	\$ 52,115	\$ 52,414	\$ 30,720
Deferred (prepaid):			
Federal	\$ 1,318	\$ (10,887)	\$ (7,601)
Foreign	5,406	(1,362)	(704)
Total deferred (prepaid)	\$ 6,724	\$ (12,249)	\$ (8,305)

The Company's practice is to reinvest indefinitely the earnings of certain international subsidiaries. Accordingly, no U.S. income taxes have been provided for approximately \$366,410,000 of unremitted earnings of international subsidiaries.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration for book and tax capital losses. For tax purposes, the Company has a capital tax loss carryforward of approximately \$6,335,000 expiring through the year 2,000, principally in 1997. The balance for the valuation allowance for deferred assets was \$7.4 million at November 2, 1996 and \$10.0 million at both October 28, 1995 and October 29, 1994.

The significant components of the Company's deferred tax assets and liabilities for the fiscal years ended November 2, 1996, October 28, 1995 and October 29, 1994 are as follows:

	1996	1995	1994
Deferred tax assets:			
Inventory reserves	\$ 20,061	\$ 18,309	\$ 12,261
Capital loss carryover	7,394	8,513	8,513
Deferred income on shipments to domestic distributors	12,518	7,898	5,254
Reserves for employee benefits	3,476	3,780	2,890
Restricted stock	1,893	2,031	2,123
Alternative Minimum Tax carryover	-	-	1,764
Intercompany profits in foreign inventories	3,965	5,335	1,709
Reserve for bad debts	2,242	1,171	1,650
Foreign tax credits	381	2,301	1,522
Other	5,039	6,351	3,314
Total gross deferred tax assets	56,969	55,689	41,000
Valuation allowance for deferred tax assets	(7,394)	(10,035)	(10,035)
Total deferred tax assets	\$ 49,575	\$ 45,654	\$ 30,965
Deferred tax liabilities:			
Depreciation	\$ (21,688)	\$ (11,043)	\$ (8,603)
Total gross deferred liabilities	\$ (21,688)	\$ (11,043)	\$ (8,603)
Net deferred tax assets	\$ 27,887	\$ 34,611	\$ 22,362

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for fiscal 1996 and fiscal 1995 (thousands of dollars except as noted):

	4Q96	3Q96	2Q96	1Q96	4Q95	3Q95	2Q95	1Q95
Net sales	304,647	305,042	303,328	280,769	257,194	246,301	230,046	208,005
Cost of sales	152,121	152,331	150,362	138,219	126,591	121,183	113,652	103,145
Gross margin	152,526	152,711	152,966	142,550	130,603	125,118	116,394	104,860
% of sales	50%	50%	50%	51%	51%	51%	51%	50%
Operating expenses:								
Research and development	46,498	45,569	44,848	40,857	35,714	35,035	33,266	30,250
Selling, marketing, general and administrative	48,460	48,562	50,017	48,803	48,306	47,374	45,592	43,671
Total operating expenses	94,958	94,131	94,865	89,660	84,020	82,409	78,858	73,921
% of sales	31%	31%	31%	32%	33%	33%	34%	36%
Operating income	57,568	58,580	58,101	52,890	46,583	42,709	37,536	30,939
% of sales	19%	19%	19%	19%	18%	17%	16%	15%
Nonoperating expenses (income):								
Interest expense	3,155	3,266	3,040	1,828	959	938	1,022	1,282
Interest income	(4,141)	(3,688)	(4,807)	(3,899)	(2,200)	(1,721)	(1,991)	(2,191)
Other	626	(181)	417	783	208	562	732	732
Total nonoperating income	(360)	(603)	(1,350)	(1,288)	(1,033)	(221)	(237)	(177)
Income before income taxes	57,928	59,183	59,451	54,178	47,616	42,930	37,773	31,116
% of sales	19%	19%	20%	19%	19%	17%	16%	15%
Provision for income taxes	13,908	15,387	15,458	14,086	12,482	11,149	9,066	7,468
Net income	44,020	43,796	43,993	40,092	35,134	31,781	28,707	23,648
% of sales	14%	14%	15%	14%	14%	13%	12%	11%
Per share	.26	.26	.26	.25	.22	.20	.18	.15
Shares used to compute earnings per share (in thousands)	174,082	172,921	172,576	165,576	160,482	159,698	157,820	156,858

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The response to this item is contained in part under the caption "EXECUTIVE OFFICERS OF THE COMPANY" in Part I hereof, and the remainder is contained in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on March 11, 1997 (the "1997 Proxy Statement") under the caption "Election of Directors" and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is contained in the Company's 1997 Proxy Statement under the captions "Directors' Compensation," "Executive Compensation," and "Severance and Other Agreements," and is incorporated herein by reference. Information relating to a delinquent filing of a Form 4 by an Executive Officer of the Company is contained in the Company's 1997 Proxy Statement under the caption "Beneficial Ownership Reporting Compliance."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this item is contained in the Company's 1997 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The response to this item is contained in the Company's 1997 Proxy Statement under the caption "Transactions with Directors," and is incorporated herein by reference.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. FINANCIAL STATEMENTS

The following consolidated financial statements are included in Item 8:

- Consolidated Statements of Income for the years ended November 2, 1996, October 28, 1995 and October 29, 1994
- Consolidated Balance Sheets as of November 2, 1996, October 28, 1995 and October 29, 1994
- Consolidated Statements of Stockholders' Equity for the years ended November 2, 1996, October 28, 1995 and October 29, 1994
- Consolidated Statements of Cash Flows for the years ended November 2, 1996, October 28, 1995 and October 29, 1994

(a) 2. FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedules are included in Item 14(d):

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.

(a) 3. LISTING OF EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
3-1	Restated Articles of Organization of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form S-8 filed on May 30, 1996 and incorporated herein by reference.
3-2	By-laws of Analog Devices, Inc. as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 31, 1992 and incorporated herein by reference.
4-1	Rights Agreement, as amended, between Analog Devices, Inc. and The First National Bank of Boston, as Rights Agent, filed as an exhibit to a Form 8 filed on June 27, 1989 amending the Registration Statement on Form 8-A relating to Common Stock Purchase Rights, and incorporated herein by reference.
4-2	Indenture dated as of March 1, 1993 between Analog Devices, Inc. and The First National Bank of Boston, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
4-3	Indenture dated as of December 18, 1995 between Analog Devices, Inc. and State Street Bank and Trust Company, as Trustee, filed as exhibit to the Company's Form 10-K for the fiscal year ended October 28, 1995 and incorporated herein by reference.
* 4-4	Analog Devices, Inc. Deferred Compensation Plan, filed as an exhibit to a Form S-8 filed on December 8, 1995 and incorporated herein by reference.
* 10-1	Bonus Plan of Analog Devices, Inc., filed herewith.

EXHIBIT NO. -----	DESCRIPTION -----
* 10-2	1991 Restricted Stock Plan of Analog Devices, Inc., filed herewith.
* 10-3	1980 Stock Option Plan of Analog Devices, Inc., as amended, filed herewith.
* 10-4	1988 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 October 31, 1992 and incorporated herein by reference.
* 10-5	1989 Director Stock Option Plan of Analog Devices, Inc., as amended, filed herewith.
* 10-6	1992 Director Option Plan of Analog Devices, Inc., filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 31, 1992 and incorporated herein by reference.
* 10-7	1994 Director Stock Option Plan of Analog Devices, Inc., filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
10-8	Lease agreement dated February 13, 1970 between Analog Devices, Inc. and the trustees of Campanelli Investment Trust, relating to the premises at 30 Perwal Street, Westwood, Massachusetts, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
10-9	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 Form 10-K for the fiscal year ended October 31, 1992 and incorporated herein by reference.
10-10	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 Form 10-Q for the fiscal quarter ended April 30, 1994 and incorporated herein by reference.
10-11	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 Form 10-Q for the fiscal quarter ended April 30, 1994 and incorporated herein by reference.
10-12	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 Form 10-K for the fiscal year ended October 31, 1992 and incorporated herein by reference.
10-13	Lease agreement dated August 8, 1990 between Precision Monolithics, Inc. and Bourns, Inc. relating to the premises at 1525 Comstock Road, Santa Clara, California, filed herewith.
10-14	Lease amendment dated May 1, 1996 to the Lease Agreement dated August 8, 1990 between Analog Devices, Inc. and Bourns, Inc., relating to premises located at 1525 Comstock Road, Santa Clara, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.

EXHIBIT NO. -----	DESCRIPTION -----
10-15	Lease agreement dated August 8, 1990, as amended, between Precision Monolithics, Inc. and Bourns, Inc. relating to the premises at 1500 Space Park Drive, Santa Clara, California, filed herewith.
10-16	Lease amendment dated May 1, 1996 to the Lease Agreement dated August 8, 1990 between Analog Devices, Inc. and Bourns, Inc., relating to premises located at 1500 Space Park Drive, Santa Clara, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.
10-17	Credit Agreement dated as of March 12, 1993 among Analog Devices, Inc. and Morgan Guaranty Trust Company of New York, Bank of America National Trust and Savings Association, Continental Bank, N.A., The First National Bank of Boston and Morgan Guaranty Trust Company of New York, as Agent, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 1, 1993 and incorporated herein by reference.
10-18	Amendment No. 1 dated as of May 18, 1993 to the Company's Credit Agreement dated March 12, 1993, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 31, 1993 and incorporated herein by reference.
10-19	Amendment No. 2 dated as of September 8, 1994 to the Company's Credit Agreement dated March 12, 1993, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
10-20	Amendment No. 3 dated as of October 25, 1996 to the Company's Credit Agreement dated March 12, 1993, filed herewith.
10-21	Term loan agreement dated as of November 12, 1991 between Analog Devices, Inc. and The First National Bank of Boston, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1991 and incorporated herein by reference.
* 10-22	Form of Employee Retention Agreement, as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 31, 1992 and incorporated herein by reference.
* 10-23	Employee Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's 10-K for the fiscal year ended October 30, 1993 and incorporated herein by reference.
* 10-24	Senior Management Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's 10-K for the fiscal year ended October 30, 1993 and incorporated herein by reference.
* 10-25	Description of Consulting Arrangement between Analog Devices, Inc. and John L. Doyle, filed herewith.
* 10-26	Letter agreement between Analog Devices, Inc. and Jerald G. Fishman dated December 15, 1994 relating to acceleration of stock options and restricted stock awards upon termination of employment, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
** 10-27	Option Agreement dated as of May 16, 1995 between Analog Devices B.V. and Taiwan Semiconductor Manufacturing Company, Ltd., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 29, 1995 and incorporated herein by reference.

EXHIBIT
NO.

DESCRIPTION

EXHIBIT NO.	DESCRIPTION
** 10-28	Wafer Production Agreement dated as of May 16, 1995 between Taiwan Semiconductor Manufacturing Company, Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 29, 1995 and incorporated herein by reference.
10-29	Lease Agreement dated June 16, 1995 between Analog Devices, Inc. and Ferrari Brothers, relating to the premises at 610 Weddell Drive, Sunnyvale, California, filed herewith.
10-30	Lease amendment dated March 1, 1996 to the Lease Agreement dated June 16, 1995 between Analog Devices, Inc. and Ferrari Brothers, relating to premises located at 610 Weddell Drive, Sunnyvale, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.
** 10-31	Manufacturing Agreement dated as of March 17, 1995 between Chartered Semiconductor Manufacturing Pte. Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
** 10-32	Deposit Agreement dated January 30, 1996 between Chartered Semiconductor Manufacturing Pte. Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
10-33	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 Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
** 10-34	Amended and Restated Limited Liability Company Agreement of WaferTech, LLC, a Delaware limited liability company, dated as of August 9, 1996. Filed as Exhibit 10.47 to the Form 10-Q of Altera Corporation (File No. 0-16617) for the fiscal quarter ended June 30, 1996, and incorporated herein by reference.
** 10-35	Purchase Agreement by and between Taiwan Semiconductor Manufacturing Co., Ltd., as seller and Analog Devices, Inc., Altera Corporation and Integrated Silicon Solutions, Inc., as buyers dated as of June 25, 1996. Filed as Exhibit 10.48 to the Form 10-Q of Altera Corporation (File No. 0-16617) for the fiscal quarter ended June 30, 1996, and incorporated herein by reference.
* 10-36	Amendment No. 1 dated December 3, 1996 to the Analog Devices, Inc. Trust Agreement for Deferred Compensation Plan, filed herewith.
11-1	Computation of Earnings Per Share
21	Subsidiaries of the Company, filed herewith.
23	Consent of Ernst & Young LLP filed herewith.
27	Financial Data Schedule

* Management contracts and compensatory plan or arrangements required to be filed as an Exhibit pursuant to Item 14(c) of Form 10-K.

** Confidential treatment has been granted as to certain portions of these Exhibits.

(b) REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K with the Securities and Exchange Commission during the fiscal quarter ended November 2, 1996.

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.
(Registrant)

By: /s/ Jerald G. Fishman

Jerald G. Fishman
President
Chief Executive Officer
and Director
(Principal Executive Officer)

By: /s/ Joseph E. McDonough

Joseph E. McDonough
Vice President-Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

Date: January 29, 1997

Date: January 29, 1997

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 ----- Ray Stata	Chairman of the Board	January 29, 1997
/s/ Jerald G. Fishman ----- Jerald G. Fishman	President, Chief Executive Officer and Director	January 29, 1997
/s/ John L. Doyle ----- John L. Doyle	Director	January 29, 1997
/s/ Samuel H. Fuller ----- Samuel H. Fuller	Director	January 29, 1997
/s/ Philip L. Lowe ----- Philip L. Lowe	Director	January 29, 1997
/s/ Gordon C. McKeague ----- Gordon C. McKeague	Director	January 29, 1997
/s/ Joel Moses ----- Joel Moses	Director	January 29, 1997
/s/ Lester C. Thurow ----- Lester C. Thurow	Director	January 29, 1997

ANALOG DEVICES, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED NOVEMBER 2, 1996
ITEM 14(d)
FINANCIAL STATEMENT SCHEDULE

ANALOG DEVICES, INC.
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 YEARS ENDED NOVEMBER 2, 1996, OCTOBER 28, 1995 AND OCTOBER 29, 1994
 (THOUSANDS)

DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	ADDITION CHARGED TO EXPENSE -----	DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
INVENTORY RESERVE:				
Year ended October 29, 1994	\$ 1,797 =====	\$ 1,281 =====	\$ - =====	\$ 3,078 =====
Year ended October 28, 1995	\$ 3,078 =====	\$ 1,399 =====	\$ - =====	\$ 4,477 =====
Year ended November 2, 1996	\$ 4,477 =====	\$ 6,041 =====	\$ - =====	\$ 10,518 =====
ALLOWANCE FOR DOUBTFUL ACCOUNTS:				
Year ended October 29, 1994	\$ 2,395 =====	\$ 4,477 =====	\$ 469 =====	\$ 6,403 =====
Year ended October 28, 1995	\$ 6,403 =====	\$ 435 =====	\$ 2,399 =====	\$ 4,439 =====
Year ended November 2, 1996	\$ 4,439 =====	\$ 3,499 =====	\$ 564 =====	\$ 7,374 =====

[Logo] ANALOG
DEVICES

FY97 BONUS PLAN

SHARING THE COMPANY'S SUCCESS

[NEW ANALOG GRAPHIC]

Analog Devices is committed to sharing its success with the people who make it possible - our employees. The aim of the Bonus Plan is to encourage participation by all of us in achieving company goals and to share the rewards of our success.

Ray Stata
Chairman

Jerry Fishman
President

U.S.-BASED EMPLOYEES

PURPOSE OF THE BONUS PLAN

The intent of ADI's Corporate Bonus Plan is to encourage employees to work together toward the company-wide goal of improved financial performance. Improvement in the Company's performance, which can be influenced by all employees, results in a reward for both employees and shareholders alike.

MEASURING ANALOG'S SUCCESS

For the past five years, Operating Profit Before Taxes (OPBT) has been used as the principal measure of success for ADI. The goal over the last few years was to improve overall profitability to competitive levels. In FY 1996, we achieved this multi-year goal.

For FY 1997 the Corporate Bonus Plan is changing, to focus our attention on both profitability and sales growth. In order for ADI to become a multi-billion dollar company, rapid growth as well as sustained profitability will both be critical success factors. The FY97 Bonus payment formula has been modified to reflect that goal by including measures for both of these success factors.

BONUS PAYMENT FORMULA

For FY97, the payout factor for each Bonus Period will be determined using two measures of company performance: growth in sales from last year, and OPBT for the bonus period. One-half of the Bonus payout factor will be driven by sales growth over the same period in FY96, and one-half by Operating Profit in the Bonus Period.

For bonus purposes, Bonus Period 1 consists of Q1 and Q2, and Bonus Period 2 consists of Q3 and Q4. A bonus will be paid semiannually, in June and December, if Analog's performance is sufficient to earn a bonus.

The payout factor is determined by combining the sales growth rate and the OPBT level for the period. For example, if sales growth for Q1/Q2 were 15% and OPBT 20%, then the combined payout factor for the period would be 1.75 times target.

As a key part of changing the Bonus Plan in FY97, the maximum payout factor has been increased from 2.0 times the bonus target to 2.5 times target, thus increasing the maximum level of bonus that could be achieved. The reason for increasing this payout "cap" is the recognition that higher levels of sales growth and profitability provide an opportunity to share more rewards with employees. This new "cap" allows employees to potentially earn a larger bonus than previously, if we are successful in meeting our growth and profitability goals.

SETTING EXPECTATIONS

For FY94, FY95, and FY96, the annual bonus payout factors were 1.32, 1.67, and 1.9 times target, respectively. Given the continuing challenges of our business environment, it is very possible that FY97 bonus payments will not match those paid for FY96. In particular, a first half FY97 bonus payment would very likely be less than that paid for the second half of FY96. If sales growth occurs in the range of 5% to 10% and OPBT levels remain in the 15% to 20% range, the Bonus payout factor will be between 1.0 and 1.5 times target. As always, no one should plan on receiving a bonus payment until it is actually announced.

YOUR BONUS TARGET

Your ADI Bonus Target is based upon your job grade level. This target represents a percentage of your regular earnings paid during the bonus period. The bonus targets are:

GRADE LEVEL	BONUS TARGET	POTENTIAL RANGE
Non-Exempt	4%	0 - 10%
E02 - E06	4%	0 - 10%
E07 - E10	6%	0 - 15%
E11 - E14	15%	0 - 38%
E15 - E18	20%	0 - 50%

ADI's bonus targets are developed through competitive analysis of pay practices among our industry competitors.

YOUR BONUS PAYMENT

At the end of each bonus period, a payout factor will be computed from the payout model based upon OPBT and growth for the period. When ADI's operating results warrant it, you will receive a bonus payment. The payment is calculated by multiplying your accumulated regular earnings paid in the bonus period by the bonus target that corresponds to your job grade level in effect at the end of the bonus period. The product of that calculation is then multiplied by the payment factor to provide the gross bonus payment amount.

EXAMPLE

Accumulated regular earnings for the Bonus Period	\$15,000
Bonus target percent	4%
Payout factor for the Bonus Period	1.50
Gross bonus (before tax) payment	
$\$15,000 \times 4\% \times 1.50 = \900.00	

Included in regular earnings are the following pay categories:

- Base pay
- Shift differential
- Sick pay
- Vacation pay
- Holiday pay
- Bereavement pay
- Jury duty pay
- Alternative work schedule pay

EXCLUDED from the Bonus Plan are:

- Overtime pay
- Bonus payments received from a previous bonus period
- Other payments which are taxable but not considered regular earnings.

WHO'S ELIGIBLE?

Most ADI employees participate in the Bonus Plan. New employees are immediately eligible to participate in the Plan with no waiting period.

The following situations may EXCLUDE an employee from Bonus payment eligibility:

- Employee is already covered under a field sales, field applications engineering or other incentive program
- Employee terminates employment prior to the last day of the bonus period
- Employee receives a Marginal performance rating during the bonus period
- Employee receives a final written warning during the bonus period
- Co-op student or intern
- Temporary employee

ADI BONUS: A PART OF TOTAL COMPENSATION

The ADI Bonus Plan is only one compensation package, along with base pay/merit increase and benefits programs. The Bonus program, together with the base pay/merit increase program, make up your total cash compensation. The bonus is the most variable component of your total package.

ADI's total cash compensation strategy is to pay at above average pay levels for above average performance. This strategy relates to both individual and company performance.

Our base pay/merit increase and benefits programs are designed to maintain individual base pay rates and benefits at a level competitive with those of other employers. Then, when company performance warrants a bonus payment, the additional money it provides moves your total cash compensation to a higher level.

WE CAN HAVE AN IMPACT

Everyone can influence sales growth and profitability by improving customer satisfaction, minimizing waste and controlling expenses. Each person's initiative is important. TQM can provide tools for identifying and implementing important improvements.

There are two ways to increase OPBT - by increasing sales revenues and/or decreasing expenses. Increasing sales revenues is not just the job of the sales force.

Delivering well-designed, high-quality products on time is a company-wide effort. Similarly, everyone can play a role in reducing expenses.

Working together, we can have an impact - whether it's improving processes to increase customer satisfaction or finding ways to cut waste and reduce expenses. The daily improvements we can make ultimately add up to affect the "bottom line".

QUESTIONS ABOUT THE BONUS

WHY WAS THE BONUS PAYOUT FORMULA CHANGED?

Since the Bonus Plan began in FY92 the goal has been to increase ADI's profitability. Now that we have achieved this important goal, it's time to turn our attention to additional performance measures that will help focus the future competitive position of the company.

WHEN WILL I RECEIVE MY BONUS PAYMENT?

Bonus checks are issued approximately six weeks after the close of the bonus period and the formal announcement of a bonus payment for the period.

WILL MY BONUS PAYMENTS BE ELIGIBLE FOR TIP OR THE EMPLOYEE STOCK PURCHASE PLAN?

If you currently contribute to TIP, deductions will be taken out from your bonus payments. Bonus payments will also be included in the calculation of the company contributions to that program. Deductions are not taken for the ESPP.

WHAT IF MY JOB GRADE AND BONUS TARGET CHANGE DURING THE BONUS PERIOD?

Your bonus payment will be based on the job grade effective at the end of the bonus period.

WHAT IF I CHANGE WORK SHIFTS?

Because shift differential paid during the bonus period is included as part of your earnings for the bonus calculation, your bonus payment will already take into consideration any shift differential earnings that you may have for the period.

WHAT IF I TRANSFER BUSINESS UNITS OR CHANGE STATUS BETWEEN FULL-TIME AND PART-TIME?

If you transfer between business units, your earnings records transfer with you. Since your bonus payment is based on your accumulated paid earnings for the bonus period, your bonus calculation will take into account any change in reporting organization or change in status (such as part-time to full-time or full-time to part-time).

WHAT IF I AM ON A LEAVE OF ABSENCE OR DISABILITY FOR PART OF THE BONUS PERIOD?

The bonus is paid based on your earnings while actively at work during the period (not on short-term disability, long-term disability or other leave of absence). So, any pay received during your leave of absence will be excluded from your accumulated paid earnings for bonus calculation purposes.

This plan brochure provides a summary of the FY97 Bonus Plan. If you need further information, ask your supervisor or Human Resources consultant. Analog Devices reserves the right to modify this Plan from time to time in its sole discretion.

[ANALOG DEVICES Logo]

THREE TECHNOLOGY WAY * P.O. BOX 9106 * NORWOOD, MA 02062-9106

* TEL: 617-329-4700

ANALOG DEVICES, INC.
1991 RESTRICTED STOCK PLAN

1. PURPOSE.

The purpose of the 1991 Restricted Stock Plan (the "Plan") is to secure for Analog Devices, Inc. (the "Company") and its shareholders the benefits arising from capital stock ownership by key employees of the Company who are expected to contribute to the Company's future growth and success. Except where the context otherwise requires, the term "Company" shall include any subsidiaries of the Company. For purposes of the Plan, the term "subsidiary" means a corporation fifty percent (50%) or more of whose voting securities are directly or indirectly owned by the Company. A copy of the Plan is available from the Treasurer's Department. For more information about the Plan, and its administrators, please contact the Director of Corporate Communications, One Technology Way, P.O. Box 9106, Norwood, MA 02062-9106, telephone (617) 329-4700.

2. ADMINISTRATION AND AWARDS.

(a) Administration. Awards (as defined below) granted pursuant to the Plan shall be authorized by action of the Board of Directors of the Company and shall meet the requirements of Section 5 of the Plan. The Plan shall be administered by the Board of Directors of the Company, whose construction and interpretation of the terms and provisions of the Plan shall be final and conclusive. The Board of Directors may in its sole discretion make awards for the purchase of shares of the Company's common stock, \$.16 2/3 par value per share ("Common Stock"), pursuant to Section 5. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective Awards, and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective Awards, which need not be identical, and to make all other determinations in the judgment of the Board of Directors necessary or desirable for the administration of the Plan. The Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No director or person acting pursuant to authority delegated by the Board of Directors shall be liable for any action or determination made in good faith. The Board of Directors may, to the full extent permitted by or consistent with law or regulation (including without limitation Rule 16b-3 of the Securities Exchange Act of 1934 or any successor rule ("Rule 16b-3")), delegate any or all of its powers under the Plan to a committee (the "Committee") appointed by the Board of Directors, and if the Committee is so

appointed all references to the Board of Directors in the Plan shall mean and relate to such Committee. In addition, to the full extent permitted by or consistent with law or regulation (including without limitation Rule 16b-3), the Board of Directors or such Committee may delegate authority to the President of the Company to make Awards to employees of the Company who are not officers or directors of the Company.

(b) Grant of Awards to Directors. The selection of a director as a participant and the size of an Award to such director shall be determined by the Board of Directors, of which a majority, as well as a majority of the directors acting in the matter, shall be "disinterested persons" (as hereinafter defined). For the purposes of the Plan, a director shall be deemed to be "disinterested" only if such person qualifies as a "disinterested person" within the meaning of Rule 16b-3 as such term is interpreted from time to time.

3. ELIGIBILITY.

Awards under the Plan may be made only to persons who are determined by the Board of Directors to be key employees of the Company. The term "employees" shall include officers and directors who are full-time employees of the Company as well as other full-time employees of the Company.

4. STOCK SUBJECT TO PLAN.

Subject to adjustment as provided in Section 8 below, the maximum number of shares of Common Stock of the Company which may be issued and sold under the Plan is 700,000 shares. Such shares may be (i) authorized and unissued shares or (ii) issued and thereafter acquired by the Company or (iii) subject to the requirements of 16b-3, tendered back to the Company or withheld by the Company for tax withholding obligations pursuant to Section 12. Any shares of Common Stock subject to an Award which are not purchased by the recipient of the Award, or which are purchased by the recipient of the Award but later repurchased by the Company in accordance with the terms of the Award or the Plan, shall again be available for purposes of the Plan.

5. AWARDS.

(a) Restricted Stock Award. A restricted stock award ("Award") shall consist of the sale and issuance by the Company of shares of Common Stock, and purchase by the recipient of such shares, subject to the terms, conditions and restrictions described in the document evidencing the Award and in this Plan.

(b) Execution of Award. As a condition to an Award under the Plan, each recipient of an Award shall execute an agreement in such form, which may differ

among recipients, as shall be specified by the Board of Directors at the time of such Award.

(c) Price. The Board of Directors shall determine the price, if any, at which shares of Common Stock shall be awarded to recipients under the Plan. The purchase price, if any, may vary among the participants. The Board of Directors may, in its discretion, issue shares under the Plan without payment of any cash purchase price by the recipients or issue shares at a purchase price below the then fair market value. If a purchase price is required to be paid, it shall be paid in cash or by check payable to the order of the Company at the time that the Award is accepted by the recipient.

(d) Number of Shares. The Award shall specify the number of shares of Common Stock granted thereunder.

(e) Ownership of Shares. Each recipient of an Award shall have, after delivery to him or her or to an escrow agent (the "Escrow Agent") on his behalf of a certificate or certificates for the number of shares of Common Stock awarded, absolute ownership of such shares including the right to vote them and to receive dividends on the shares, subject, however, to the risk of forfeiture and the terms, conditions and restrictions described in the Plan and in the instrument evidencing the grant of the Award.

(f) Restrictions on Transfer. In addition to such other terms, conditions and restrictions upon Awards as shall be imposed by the Board of Directors, all shares issued pursuant to an Award shall be subject to the following restrictions:

(1) All shares of Common Stock subject to an Award (including any shares issued pursuant to paragraph (g) of this Section 5) shall be subject to certain restrictions on disposition and obligations of resale to the Company as provided in subparagraph (2) below for the period specified in the document evidencing the Award, and shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of until such restrictions lapse. The period during which such restrictions are applicable is referred to as the "Restricted Period."

(2) In the event that a recipient's employment with the Company is terminated within the Restricted Period, whether such termination is voluntary or involuntary, with or without cause, for any reason other than death or total disability (as determined by the Company) of the recipient, the Company shall have the right and option for a period of ninety (90) days following such termination of employment to elect to buy for cash that number of the shares of Common Stock purchased under the Award as to which the restrictions on transfer and the forfeiture provisions contained in the Award had not lapsed at the time of such termination, at a price equal to the price per share originally paid by the recipient. If such

termination of employment occurs within the Restricted Period, and there are less than ninety (90) days remaining in the Restricted Period, the prohibition against any sale, assignment, transfer or other disposition of the recipient's Common Stock, provided in subparagraph (f)(1) of this Section 5, shall continue to apply until the expiration of the Company's 90-day option period set forth in this subparagraph (f) (2).

(3) If such recipient's employment is terminated within the Restricted Period by reason of his death or total disability, the Company's right to repurchase shares issued to such recipient under the Plan shall cease and terminate at the time of such death or disability; and such shares, from and after the date of such death or disability, shall no longer be restricted by the provisions of subparagraph (f)(1) of this Section 5 and may thereafter, subject to compliance with law, be sold, assigned, transferred or otherwise disposed of during the balance of the Restricted Period.

(4) Notwithstanding subparagraphs (1), (2) and (3) above, the Board of Directors may, in its discretion, either at the time that an Award is made or at any time thereafter, waive its right to repurchase shares of Common Stock upon the occurrence of any of the events described in this Section 5(f) or remove or modify any part or all of the restrictions. In addition, the Board of Directors may, in its discretion, impose upon the recipient of an Award at the time of such Award, such other restrictions on any shares of Common Stock issued pursuant to such Award as the Board may deem advisable and in the best interests of the Company and its shareholders.

(g) Additional Shares. Any shares received by a recipient of an Award as a stock dividend on, or as a result of stock splits, combinations, exchanges of shares, reorganizations, mergers, consolidations or otherwise with respect to, shares of Common Stock received pursuant to such Award shall have the same status and shall bear the same restrictions, all on a proportionate basis, as the shares initially purchased pursuant to such Award.

(h) Transfers in Breach of Award; Repurchased Shares. If any transfer of shares purchased pursuant to an Award is made or attempted contrary to the terms of the Plan and of such Award, the Board of Directors shall have the right to purchase those shares for the account of the Company from the owner thereof or his transferee at any time before or after the transfer at the price paid for such shares by the person to whom they were awarded under the Plan. In addition to any other legal or equitable remedies which it may have, the Company may enforce its rights by specific performance to the extent permitted by law. The Company may refuse for any purpose to recognize as a shareholder of the Company any transferee who receives any shares contrary to the provisions of the Plan and the applicable Award, and the Company may retain and/or recover all dividends on such shares which were paid or payable subsequent to the date on which the prohibited transfer was made or

attempted. Any shares which the Board of Directors elects to repurchase under the Plan for the account of the Company shall be tendered to the Company by the delivery of certificates therefor, duly endorsed in blank, at the Company's principal office on the date and at the time specified by the Board of Directors. Payment for repurchased shares shall be made by the Company at the time of delivery of the certificate(s) representing the repurchased shares.

(i) Resale Restrictions. Certain officers of the Company, who may be deemed to be "affiliates," may resell shares of the Company's Common Stock purchased under the Plan only subject to certain restrictions imposed by the Securities Act of 1933 and Rule 144 promulgated thereunder. In addition, in order to obtain the benefits of Rule 16b-3, certain officers of the Company, who may be deemed to be "insiders" under Rule 16b-3 may not sell any shares of the Company's Common Stock for at least six months after the date an award is granted. Any officer purchasing shares under the Plan should consult with legal counsel prior to doing so.

(j) Additional Award Provisions. The Board of Directors may, in its sole discretion, include additional provisions in any Award granted under the Plan.

6. GENERAL RESTRICTIONS.

(a) Investment Representations. The Company may require any person to whom an Award is made, as a condition of purchasing the shares subject to such Award or exercising such option, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Common Stock subject to the Award for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws. Certificates for shares of Common Stock delivered pursuant to Awards shall bear the following legend:

"The shares of Common Stock represented by this certificate are subject to forfeiture, prohibition against transfer or assignment and certain other restrictions set forth in the 1991 Restricted Stock Plan of Analog Devices, Inc. and in the Restricted Stock Award dated as of 19__ granted by Analog Devices, Inc. to the owner of this certificate. A copy of the 1991 Restricted Stock Plan and the above-described Restricted Stock Award are available for inspection, without charge, at the offices of Analog Devices, Inc."

(b) Compliance with Securities Laws. Each Award shall be subject to the requirement that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such Award upon any securities exchange or under any state or federal law, or the consent or approval of

any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such Award may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board of Directors. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualifications.

7. RIGHTS AS A SHAREHOLDER.

The recipient of an Award shall have no rights as a shareholder with respect to any shares covered by the Award until the date of issue of a stock certificate to him or her for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

8. ADJUSTMENT PROVISIONS.

(a) If the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock or other securities, or if the Company shall distribute any substantial amount of its assets with respect to such shares of Common Stock or other securities, an appropriate and proportionate adjustment may be made in the maximum number and kind of shares reserved for issuance under the Plan.

(b) Adjustments under this Section 8 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued under the Plan on account of any such adjustments.

9. NO SPECIAL EMPLOYMENT RIGHTS.

Nothing contained in the Plan or in any Award shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment by the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease the compensation of the recipient. Whether an authorized leave of absence, or absence, or absence in military or government service shall constitute termination of employment shall be determined by the Company at the time of such absence.

10. OTHER EMPLOYEE BENEFITS.

The value of an Award granted to an employee or the sale of shares received pursuant to an Award will not constitute compensation with respect to which any other employee benefits of such employee are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Board of Directors.

11. AMENDMENT OF THE PLAN.

The Plan may at any time be terminated, modified or amended by the holders of a majority of the then outstanding voting shares of the Company. The Board of Directors may at any time, and from time to time, modify or amend the Plan in any respect, except that without the approval of the shareholders of the Company the Board of Directors may not make any amendment which would (i) cause the Plan to no longer comply with Rule 16b-3 or any successor to the foregoing or (ii) require shareholder approval under any applicable listing requirement. The termination or any modification or amendment of the Plan shall not, without the consent of a recipient of an Award, affect his or her rights under an Award previously made to him or her. With the consent of the recipient of the Award, the Board of Directors may amend outstanding Awards in a manner not inconsistent with the Plan. The Board of Directors shall have the right to amend or modify the terms and provisions of the Plan and of any outstanding Award to the extent necessary to ensure the qualification of the Plan under Rule 16b-3 or any successor rule.

12. WITHHOLDING.

(a) The Company shall have the right to deduct from payments of any kind otherwise due to the participant any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon any Award under the Plan. Subject to the prior approval of the Company, which may be withheld by the Company in its sole discretion, the participant may elect to satisfy such obligations, in whole or in part, (i) by directing the Escrow Agent to forward to the Company a sufficient number of shares of Common Stock otherwise deliverable by the Escrow Agent to the participant pursuant to the grant of an Award or (ii) by delivering to the Company shares of Common Stock already owned by the participant. The shares so delivered by the Escrow Agent or the participant shall have a fair market value equal to such withholding obligation. The fair market value of the shares used to satisfy such withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. A participant who has made an election pursuant to this Section 12(a) may only satisfy his or her withholding obligation with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(b) Notwithstanding the foregoing, in the case of any persons who are required to file reports under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), no election to use shares for the payment of withholding taxes shall be effective unless made in compliance with any applicable requirements of Rule 16b-3 or any successor rule under the Exchange Act.

(c) If the recipient of an Award under the Plan elects, in accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") to recognize ordinary income in the year of acquisition of any shares awarded under the Plan, the Company will require at the time of such election an additional payment for withholding tax purposes based on the difference, if any, between the purchase price of such shares and the fair market value of such shares as of the date immediately preceding the date of the Award.

13. EFFECTIVE DATE AND DURATION OF THE PLAN.

(a) Effective Date. The Plan shall become effective when adopted by the Board of Directors and approved by the Company's shareholders.

(b) Termination. Unless sooner terminated by the Board of Directors or shareholders of the Company, the Plan shall terminate upon the earlier of (i) the close of business on the day next preceding the tenth anniversary on the date of its adoption by the Board of Directors, or (ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the final vesting of Awards granted under the Plan. If the date of termination is determined under (i) above, then Awards outstanding on such date shall continue to have force and effect in accordance with the provisions of the instruments evidencing such Awards.

14. CHANGE IN CONTROL.

(a) Notwithstanding any provision to the contrary in this Plan, in the event of a Change in Control (as defined below), all of the Company's rights to repurchase outstanding shares issued to participants in the Plan prior to the occurrence of such Change in Control shall cease and terminate as of the date such Change in Control occurs; and such shares, from and after such date, shall no longer be restricted by the provisions of Section 5 of the Plan.

(b) A "Change in Control" shall occur or be deemed to have occurred, only if any of the following events occur: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act, (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act),

directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of December 12, 1990, constitute the Board of Directors of the Company (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination of election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

15. PROVISIONS FOR FOREIGN PARTICIPANTS.

The Board of Directors may, without amending the Plan, modify Awards granted to participants who are foreign nationals or employed outside the United States to recognize differences in tax, securities, currency laws, rules, regulations or customs of such foreign jurisdictions.

16. INCORPORATION BY REFERENCE.

The Company is subject to the informational and reporting requirements of Section 13, 14 and 15(d) of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Commission. The following documents, which are on file with the Commission, are incorporated in this Prospectus by reference:

(a) The Company's (i) latest annual report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 or (ii) the latest prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933, which contains, either directly or by

incorporation by reference, certified financial statements for the Company's latest fiscal year for which such statements have been filed or (iii) the Company's effective registration statement on Form 10 filed under the Securities Exchange Act of 1934 containing audited financial statements for the Company's latest fiscal year.

(b) All other reports filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the annual reports or the prospectus referred to in (a) above.

(c) The Company's definitive proxy statement or information statement, if any, filed pursuant to Section 14 of the Securities Exchange Act of 1934 in connection with the latest annual meeting of its stockholders, and any definitive proxy or information statements so filed in connection with any subsequent special meetings of its stockholders.

(d) The description of the Common Stock and Rights which are contained in registration statements filed under the Securities Exchange Act of 1934, including any amendment or report filed for the purpose of updating such description.

(e) Information as to stock options, including the amount outstanding, exercises, prices and expiration dates, included in the Company's definitive proxy statement, described in (c) above and which will be included in the future either in the Company's proxy statements, annual reports or appendices to the prospectus.

All reports and definitive proxy or information statements filed by the Company pursuant to Section 13, 14 and 15(d) of the Exchange Act, which are filed subsequent to the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that all shares offered hereby have been sold or which deregisters all shares then remaining unsold, shall be deemed to be incorporated in this Prospectus by reference and to be a part hereof from the date of filing of such reports and documents. For more information about the Plan, and its administrators, please contact the Director of Corporate Communications, One Technology Way, P.O. Box 9106, Norwood, MA 02062-9106, telephone (617) 329-4700.

ANALOG DEVICES, INC.

First Amendment to 1991 Restricted Stock Plan

The 1991 Restricted Stock Plan of Analog Devices, Inc. (the "Plan"), pursuant to Section 11 thereof, is hereby amended as follows:

1. Section 2(b) is hereby deleted in its entirety and replaced with the following paragraph:

"(b) Grant of Awards to Directors and Officers. The selection of a director or officer as a participant and the size of an Award to such director or officer shall be determined by the Board of Directors, of which all members acting in the matter, shall be "disinterested directors" (as hereinafter defined) or by a committee of two or more disinterested persons. For the purposes of the Plan, a director shall be deemed to be "disinterested" only if such person qualifies as a "disinterested person" within the meaning of Rule 16b-3 as such term is interpreted from time to time."

The foregoing amendment shall take effect upon the approval by the Board of Directors of Analog Devices, Inc. Except as so amended, the Plan shall remain in full force and effect.

Adopted by the Board of Directors
September 16, 1991

ANALOG DEVICES, INC.

Second Amendment to 1991 Restricted Stock Plan

The 1991 Restricted Stock Plan of Analog Devices, Inc. (the "Plan"), pursuant to Section 11 thereof, is hereby amended as follows:

Section 4 of the Plan is amended to increase the number of shares of Analog Devices, Inc. Common Stock, \$.16 2/3 par value per share, subject to the Plan, so that as amended (and taking into account all stock splits and stock dividends distributed through January 3, 1996), said Section 4 shall read as follows:

"4. STOCK SUBJECT TO PLAN. Subject to adjustment as provided in Section 8 below, the maximum number of shares of Common Stock of the Company which may be issued and sold under the Plan is 2,025,000 shares. Such shares may be (i) authorized and unissued shares or (ii) issued and thereafter acquired by the Company or (iii) subject to the requirements of 16b-3, tendered back to the Company or withheld by the Company for tax withholding obligations pursuant to Section 12. Any shares of Common Stock subject to an Award which are not purchased by the recipient of the Award, or which are purchased by the recipient of the Award but later repurchased by the Company in accordance with the terms of the Award or the Plan, shall again be available for purposes of the Plan."

The foregoing amendment shall take effect upon the date approved by the Board of Directors, subject to ratification and approval by the stockholders of Analog Devices, Inc. Except as so amended, the Plan shall remain in full force and effect.

Adopted by the Board of Directors
December 6, 1995

ANALOG DEVICES, INC.

1980 STOCK OPTION PLAN

June 18, 1980

1. Purpose.

The purpose of the Plan is to secure for Analog Devices, Inc. (the "Company") and its shareholders the benefits arising from capital stock ownership by those key employees of the Company (and any designated subsidiary) who will be responsible for the Company's future growth and continued success. The Plan will provide a means whereby such employees may purchase shares of the common stock, \$.16 2/3 par value, of the Company (the "Common Stock").

2. Administration.

(a) The Plan will be administered by the Board of Directors of the Company whose construction and interpretation of the terms and provisions hereof shall be final and conclusive. Any director to whom an option is awarded shall be ineligible to vote upon his option, but options may be granted any such director by the remainder of the directors, except as limited below. The Board of Directors may in its sole discretion grant options to purchase shares of the Company's Common Stock and issue shares upon exercise of such options as provided in this Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective option agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective option agreements, which need not be identical, and to make all other determinations in the judgment of the Board necessary or desirable for the administration of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No director shall be liable for any action or determination made in good faith. The Board of Directors may delegate any or all of its powers under the Plan to a Stock Option Committee or other Committee (the "Committee") appointed by the Board consisting of at least three members of the Board, and if the Committee is so appointed all references to the Board of Directors herein shall mean and relate to such Committee.

(b) With respect to the participation of any director in the Plan, his selection as a participant and the number of option shares to be allocated to such director shall be determined either (i) by the Board of Directors, of which a majority, as well as a majority of the directors acting in the matter, shall be "disinterested persons" (as hereinafter defined) or (ii) by, or in accordance with, the recommendations of a

committee of three or more persons having full authority to act in the matter, of which all members of such committee shall be disinterested persons. For the purposes of the Plan, a director or member of such committee shall be deemed to be a "disinterested person" only if such person is not at the time such discretion is exercised eligible and has not at any time within one year prior thereto been eligible for selection as a person to whom stock may be allocated or to whom stock options may be granted pursuant to the Plan or any other plan of the Company or any of its affiliates entitling the participants therein to acquire stock or stock options and stock appreciation rights issued pursuant to a plan of the Company or any of its affiliates.

3. Eligibility.

Officers and key employees of the Company or of any subsidiary (as defined in Section 16 hereof) shall be eligible for selection by the Board of Directors to participate in the Plan; provided that options under the Plan shall not be granted to any person who at the time such option is granted owns, or could own as a result of the grant, directly or indirectly, Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Company. Directors who are not regular employees are not eligible to participate in the Plan. An employee who has been granted an option may, if he or she is otherwise eligible, be granted an additional option or options if the directors shall so determine.

4. Stock Subject to Plan.

Subject to adjustment as provided in Sections 13 and 14 hereof, the stock to be offered under the Plan shall consist of shares of the Company's Common Stock and the number of shares of stock that may be issued upon the exercise of all options granted under the Plan shall not exceed in the aggregate 400,000 shares. Such shares may be authorized and unissued shares or may be treasury shares. If an option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of this Plan.

5. Purchase Price.

The purchase price per share of stock deliverable upon the exercise of an option shall be determined by the Board of Directors, but shall not be less than 100% of the fair market value of such stock, as determined by the Board of Directors, on the day the option is granted, but in no event less than the par value per share of such stock. Options granted hereunder may be exercised by delivery to the Treasurer of the Company of (a) cash or a check payable to the order of the Company in an amount equal to the exercise price of such options, (b) shares of Common Stock of the Company having a fair market value equal in amount to the exercise price of

those options being exercised, or (c) any combination of (a) and (b). For the purposes hereof, the fair market value of any share of the Company's Common Stock to be delivered to the Company in exercise of any options hereunder shall be determined by the Board of Directors and shall be based upon the closing per share price of the Common Stock of the Company on the New York Stock Exchange Composite Tape for such period immediately preceding the date of exercise as shall be fixed by the Board of Directors. If an optionee elects to exercise options by delivery of shares of Common Stock of the Company, the certificate or certificates representing the shares of Common Stock of the Company to be delivered shall be duly executed in blank by the holder thereof or shall be accompanied by a stock power duly executed in blank suitable for purposes of transferring such shares to the Company. Fractional shares of Common Stock of the Company will not be accepted in payment of the exercise price of options granted hereunder.

6. Duration of Options.

Each option and all rights thereunder shall expire on such date as the Board of Directors may determine, but in no event later than ten (10) years from the day on which the option is granted and shall be subject to earlier termination as provided herein.

7. Exercise of Options.

The period or periods during which any options granted hereunder may be exercised shall be determined by the Board of Directors, in its discretion, and such exercise periods need not be identical. Unless otherwise determined by the Board of Directors, the shares subject to an option may be purchased commencing after a period ending one (1) year following the date of grant. (Such period is referred to herein as the "waiting period.") Following the waiting period, unless otherwise determined by the Board of Directors, the shares subject to the option may be purchased by the optionee as follows: 25% of such shares commencing at the end of the waiting period, and an additional 25% of such shares commencing on the first day of each of the second, third and fourth years following the waiting period. At the time an option is granted, the Board of Directors shall fix the period in which it may be exercised which shall not, unless the Board of Directors otherwise determines, be less than five (5) years plus one day nor more than ten (10) years from the date of grant. (Such period is referred to herein as the "exercise period.") To the extent that an option to purchase shares is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. Partial exercise will be permitted from time to time within the percentage limitation described above, provided that no partial exercise may be for less than (10) full shares of Common Stock, or its equivalent.

8. Nontransferability of Options.

No option granted under the Plan shall be assignable or transferable by the option holder, either voluntarily or by operation of law, except by will or the laws of descent and distribution. During the life of the recipient, the option shall be exercisable only by him or her.

9. Effect of Termination of Employment or Death.

In the event that an optionee during his or her lifetime ceases to be an employee of the Company or of any subsidiary of the Company for any reason, including retirement (except death), any option or unexercised portion thereof which was otherwise exercisable on the date of termination of employment shall expire unless exercised within a period of three months from the date on which the optionee ceased to be an employee, but in no event after the expiration of the exercise period. In the event of the death of an optionee during this three-month period, the option shall be exercisable by his or her personal representatives, heirs or legatees to the same extent and during the same period that the optionee could have exercised the option if he or she had not died.

In the event of the death of an optionee while an employee of the Company or any subsidiary of the Company, the option granted to the deceased employee, if his or her waiting period has elapsed, shall be exercisable, to the same extent that the optionee could have exercised the option on the date of death if he or she had not died, by his or her personal representatives, heirs or legatees at any time prior to the expiration of six (6) months from the date of the death of the optionee, but in no event after the expiration of the exercise period. In the event that an optionee ceases to be an employee of the Company or of any subsidiary of the Company for any reason, including death or retirement, prior to the lapse of the waiting period, his or her option shall terminate and be null and void.

Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Board of Directors at the time.

10. No Special Employment Rights.

Nothing contained in the Plan or in any option granted under the Plan shall confer upon any option holder any right with respect to the continuation of his or her employment by the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or

to increase or decrease the compensation of the option holder from the rate in existence at the time of the grant of an option.

11. General Restriction.

Each option shall be subject to the requirement that, if at the time the Board of Directors shall determine that the listing, registration or qualification of the shares subject to such option upon any securities exchange or under any state or federal law, or the consent or approval of any government or regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issue or purchase of shares thereunder, such option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

12. Rights as a Shareholder.

The holder of an option shall have no rights as a shareholder with respect to any shares covered by the option until the date of issue of a stock certificate to him or her for such shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

13. Recapitalization.

In the event that dividends are payable in Common Stock of the Company or in the event there are splits, sub-divisions or combinations of shares of Common Stock of the Company, the number of shares available under the Plan shall be increased or decreased proportionately, as the case may be, and the number of shares deliverable upon the exercise thereafter of any option theretofore granted shall be increased or decreased proportionately, as the case may be, without change in the aggregate purchase price.

14. Reorganization.

In case the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or in case the property or stock of the Company is acquired by any other corporation, or in case of a separation, reorganization or liquidation of the Company, the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company hereunder, shall, as to outstanding options, either (i) make appropriate provision for the protection of any such outstanding options by the substitution on an equitable basis of appropriate stock of the Company, or of the merged, consolidated

or otherwise reorganized corporation which will be issuable in respect to the shares of Common Stock of the Company, provided only that the excess of the aggregate fair market value of the shares subject to the options immediately after such substitution over the purchase price thereof is not more than the excess of the aggregate fair market value of the shares subject to such options immediately before such substitution over the purchase price thereof, or (ii) upon written notice to the optionees, provide that all unexercised options must be exercised within forty-five (45) days of the date of such notice or they will be terminated. In any such case the Board of Directors may, in its discretion, advance the lapse of waiting period and exercise dates.

15. Withholding Taxes.

Whenever under the Plan shares are to be issued in satisfaction of options granted thereunder, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares.

16. Subsidiary.

As used herein, the term "subsidiary" shall mean any future or present corporation which would be a "subsidiary corporation" of the Company as that term is defined in Section 425 of the Internal Revenue Code of 1954.

17. Amendment of the Plan.

The Plan may at any time or from time to time be terminated, modified or amended by a majority vote of the shareholders of the Company. The Board of Directors may at any time and from time to time modify or amend the Plan in any respect, except that without shareholder approval the Board of Directors may not (a) materially increase the benefits accruing to participants under the Plan, (b) materially increase the number of shares which may be issued under the Plan, or (c) materially modify the requirements as to eligibility for participation under the Plan. The termination or any modification or amendment of the Plan shall not, without the consent of an employee, affect his or her rights under an option previously granted to him or her. With the consent of the employee affected, the Board of Directors may amend outstanding option agreements in a manner not inconsistent with the Plan.

18. Duration of the Plan.

The effective date of the Plan shall be June 18, 1980. The Plan shall remain in effect until all options granted under the Plan have been Satisfied by the issuance of

shares or terminated under the terms of the Plan, provided that no options under the Plan may be granted after ten (10) years from the effective date of the Plan.

19. Approval of Shareholders.

The Plan has been adopted by the Board of Directors, but is subject to the approval of the shareholders of the Company at their next annual meeting. Options under the Plan may be granted at any time prior to shareholder approval, but if such shareholder approval is not obtained, such option shall be null and void.

Adopted by Stockholders
March 10, 1981

ANALOG DEVICES, INC.

AMENDMENT TO 1980 STOCK OPTION PLAN
TO ESTABLISH INCENTIVE STOCK OPTIONS

The 1980 Stock Option Plan of Analog Devices, Inc. ("Company") is hereby amended by adding new Sections 19 and 20 thereto, as follows:

19. INCENTIVE STOCK OPTIONS. Notwithstanding anything to the contrary contained in any other provisions of this Plan, options granted under this Plan from and after October 2, 1981 may, in the sole discretion of the Board of Directors of the Company ("Board"), or the Committee if the Board delegates administration of the Plan to a committee, be "Incentive Stock Options" within the meaning of Section 422A of the Internal Revenue Code of 1954, as amended ("Code"), provided that any such options (hereinafter "Incentive Options") are, at the time of grant, clearly identified as such and satisfy the following terms and conditions:

(a) The aggregate fair market value (determined as of the date that any Incentive Option is granted) of the Common Stock for which an employee may be granted Incentive Options in any calendar year under the Plan and all other incentive stock option plans of the Company and its subsidiaries shall not exceed \$100,000 plus any unused carryover to such year computed pursuant to Section 422A(c)(4) of the Code.

(b) No Incentive Options granted under the Plan may be exercised, whether in whole or in part, while there is outstanding, within the meaning of Section 422A(c)(7) of the Code, any other option to purchase stock of the Company or a parent or subsidiary of the Company (or a predecessor corporation of any thereof) qualifying as an "Incentive Stock Option" under Section 422A(b) of the Code which was granted to the option holder prior to the granting of such Incentive Option. For purposes hereof, any such option shall be deemed to be outstanding unless and until it is exercised in full or it shall have expired by reason of the lapse of time.

(c) Notwithstanding the provisions of Section 5 of the Plan, no shares of Common Stock of the Company may be tendered in payment of the exercise price of any option granted under the Plan if the shares to be so tendered were

acquired within twelve (12) months before the date of such tender, through the exercise of an option granted under the Plan or any other stock option plan of the Company.

(d) An Incentive Option may be granted to any officer or key employee who, at the time such option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or of its parent or any subsidiary) if, but only if, at the time such option is granted the option price is at least 110 percent of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted.

(e) Notwithstanding any provisions in the Plan to the contrary, the Board of Directors may amend or modify the terms and provisions of the Plan and of any outstanding options under the Plan to the extent necessary to qualify any or all options under the Plan for such favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded employee stock options under Section 422A of the Code.

20. APPLICATION OF SECTION 251 OF THE ECONOMIC RECOVERY TAX ACT OF 1981. The Board of Directors may elect on behalf of the Company to have the provisions of Section 251 of the Economic Recovery Tax Act of 1981 (relating to "incentive stock options" qualifying under Section 422A of the Internal Revenue Code) apply, to the extent possible, to any one or more options (including any portion of an option) granted under the Plan on or after January 1, 1976 and exercised on or after, or outstanding on, January 1, 1981, and may make such amendments to the Plan and, with the consent of the optionee (if required), any such option as shall be necessary to permit such option to qualify as an incentive stock option under, and subject to the limitations of, such provisions. In the event that one or more options or portions of an option for which incentive stock option treatment may be elected pursuant to this Section 20 is determined not to be eligible for such treatment under Section 251 of the Economic Recovery Tax Act of 1981, the Board of Directors may elect that such treatment apply to such other options or portions of options which are eligible for such treatment.

This amendment was adopted by the Board on the date set forth below, and shall become effective as of such date, subject to the approval of the holders of a majority of the outstanding Common Stock of the Company prior to October 2, 1982. Subject to such stockholder approval, Incentive Options may be granted under the Plan at any time and from time to time after the

adoption of this amendment by the Board and prior to the termination of the Plan.

Approved and adopted by the Board of Directors
of Analog Devices, Inc.
October 2, 1981.

Approved by Stockholders
March 11, 1982

AMENDMENT TO 1980 STOCK OPTION PLAN

VOTED: To amend the first sentence of section 4 of the 1980 Stock Option Plan of the corporation to read as follows: "Subject to adjustment as provided in Sections 13 and 14 hereof, the stock to be offered under the Plan shall consist of shares of the Company's Common Stock, \$.16 2/3 par value, and the number of shares of stock that may be issued upon the exercise of all options granted under the Plan shall not exceed in the aggregate 1,000,000 shares."

Adopted by the Board of
Directors December 15, 1981

Approved by Stockholders
March 11, 1982

ANALOG DEVICES, INC.

Second Amendment to 1980 Stock Option Plan

The 1980 Stock Option Plan of Analog Devices, Inc. (the "Company"), as amended (the "Plan"), is hereby further amended by deleting Sections 6 and 19 and adding new Sections 6 and 19 thereto as follows:

6. Duration of Options.

Each option and all rights thereunder shall be expressed to expire on such date as the Board of Directors may determine, but in no event later than ten (10) years from the day on which the option is granted in the case of an Incentive Stock Option (as hereinafter defined) and ten (10) years and one (1) month from the day on which the option is granted in the case of a non-statutory option, and shall be subject to earlier termination as provided herein.

19. Incentive Stock Options.

Notwithstanding anything to the contrary contained in any other provisions of this Plan, options granted under this Plan from and after October 2, 1981 may, in the sole discretion of the Board of Directors of the Company (the "Board") or the Committee if the Board delegates administration of the Plan to a committee, be "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code of 1954, as amended (the "Code"), provided that any such options (hereinafter "Incentive Stock Options") are, at the time of grant, clearly identified as such and satisfy the following terms and conditions:

(a) Dollar Limitation

(i) The aggregate fair market value (determined as of the respective date or dates of grant) of the Common Stock which may be made the subject of Incentive Stock Options granted under the Plan (and all other Incentive Stock Option plans of the Company or its subsidiaries), prior to January 1, 1987, to any employee in any one calendar year shall not exceed the sum of \$100,000, plus any unused carryover to such year from each of the three immediately preceding calendar years after 1980. For purposes of the preceding limitation, the term "carryover" means, with respect to each calendar year after 1980, one half the amount by which the sum of \$100,000 exceeds the aggregate fair market value (determined as of the respective date or dates of grant) of the Common Stock for which the optionee is granted

Incentive Stock Options under the Plan (or any other Incentive Stock Option plan of the Company or its subsidiaries) in such calendar year. Incentive Stock Options granted during any calendar year shall first be applied against the basic \$100,000 limitation in effect for such calendar year and then applied against any unused carryovers to such calendar year in the order in which such carryovers arose in prior calendar years. In the event that Section 422A(b)(8) of the Code is amended to alter the limitation set forth therein so that following such amendment such limitation shall differ from the limitation set forth in this paragraph (a), the limitation of this paragraph (a) shall be automatically adjusted accordingly.

(ii) Incentive Stock Options granted to any employee under the Plan (and under all other Incentive Stock Option plans of the Company, a parent corporation or a subsidiary) on or after January 1, 1987 shall not, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate fair market value (determined as of the respective date or dates of grant) or more than \$100,000.

(b) No Incentive Stock Options granted under the Plan prior to January 1, 1987 may be exercised, whether in whole or in part, while there is outstanding, within the meaning of Section 422A(c)(7) of the Code, any other option to purchase stock of the Company or a parent or subsidiary of the Company (or a predecessor corporation of any thereof) qualifying as an "incentive stock option" under Section 422A(b) of the Code which was granted to the option holder prior to the granting of such Incentive Stock Option.

(c) Notwithstanding the provisions of Section 5 of the Plan, no shares of Common Stock of the Company may be tendered in payment of the exercise price of any option granted under the Plan if the shares to be so tendered were acquired within twelve (12) months before the date of such tender, through the exercise of an option granted under the Plan or any other stock option plan of the Company.

(d) An Incentive Stock Option may be granted to any officer or key employee who, at the time such option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or of its parent or any subsidiary) if, but only if, at the time such option is granted the option price is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five (5) years from the date such option is granted.

(e) Notwithstanding any provisions in the Plan to the contrary, the Board may amend or modify the terms and provisions of the Plan and of any outstanding options under the Plan to the extent necessary to qualify any or all options under the Plan for such favorable Federal income tax treatment (including deferral of taxation upon exercise) as may be afforded employee stock options under Section 422A of the Code.

This Amendment was adopted by the Board on the date set forth below and shall become effective as of such date.

Approved and Adopted by the Board of
Directors of Analog Devices, Inc. on
December 17, 1986

ANALOG DEVICES, INC.

Third Amendment to 1980 Stock Option Plan

The 1980 Stock Option Plan of Analog Devices, Inc. is hereby amended by adding the following new Section 21 at the end thereof:

"21. Change in Control.

(a) Notwithstanding any other provision to the contrary in this Plan, in the event of a Change in Control (as defined below), all options outstanding as of the date such Change in Control occurs shall become exercisable in full, whether or not otherwise exercisable in accordance with their terms.

(b) A "Change in Control" shall occur or be deemed to have occurred only if any of the following events occur: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of December 13, 1988, constitute the Board of Directors of the Company (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was

approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets."

Adopted by the Board of Directors
December 14, 1988

ANALOG DEVICES, INC.
1989 DIRECTOR STOCK OPTION PLAN

1. Purpose.

The purpose of this 1989 Director Stock Option Plan (the "Plan") of Analog Devices, Inc. (the "Company") is to encourage ownership in the Company by outside directors of the Company whose continued services are considered essential to the Company's future progress and to provide them with a further incentive to remain as directors of the Company.

2. Administration.

The Board of Directors shall supervise and administer the Plan. Grants of stock options under the Plan and the amount and nature of the awards to be granted shall be automatic in accordance with Section 5. However, all questions of interpretation of the Plan or of any options issued under it shall be determined by the Board of Directors and such determination shall be final and binding upon all persons having an interest in the Plan.

3. Participation in the Plan.

Directors of the Company who are not employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan.

4. Stock Subject to the Plan.

(a) The maximum number of shares which may be issued under the Plan shall be sixty thousand (60,000) shares of the Company's Common Stock, par value \$.16 2/3 per share ("Common Stock"), subject to adjustment as provided in Section 10 of the Plan.

(b) If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, the shares allocable to the unexercised portion of such option shall again become available for grant pursuant to the Plan.

(c) All options granted under the Plan shall be non-statutory options not entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1986, as amended to date and as may be amended from time to time (the "Code").

5. Terms, Conditions and Form of Options.

Each option granted under the Plan shall be evidenced by a written agreement in such form as the Board of Directors shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) Option Grant Date. Options shall be granted automatically to all eligible directors at the close of business on the date the Plan is approved by the stockholders of the Company. Thereafter, options shall be granted automatically to persons who subsequently become eligible directors on the close of business on the date of his or her initial election to the Board of Directors.

(b) Shares Subject to Option. Each option granted under the Plan shall be exercisable for up to 5,000 shares of Common Stock.

(c) Option Exercise Price. The option exercise price per share for each option granted under the Plan shall equal the closing price per share of the Company's Common Stock on the New York Stock Exchange consolidated transaction reporting system on the date of grant (or if no such price is reported on such date such price as reported on the nearest preceding day).

(d) Options Non-Transferable. Each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and distribution, and shall be exercised during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned, pledged or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(e) Exercise Period. Except as otherwise provided in this Plan, no option may be exercised prior to the third anniversary of the date of grant of such option. Each option may be exercised on a cumulative basis as to one-third of the shares subject to the option on the third, fourth and fifth anniversary of the date of grant of such option, provided that, subject to the provisions of Section 5(f), no option may be exercised more than 90 days after the optionee ceases to serve as a director of the Company. No option shall be exercisable after the expiration of ten (10) years from the date of grant.

(f) Exercise Period Upon Death, Disability or Mandatory Retirement. Notwithstanding the provisions of Section 5(e), any option granted under the Plan may be exercised in full by an optionee who becomes disabled (within the meaning of Section 22(e) (3) of the Code or any successor provision thereto) while acting as a director of the Company or who retires pursuant to the terms of any retirement policy adopted by the Company, or may be exercised in full upon the death of such optionee while a director of the Company or within three months after he ceases to serve as a director of the Company by the person to whom it is transferred by will, by the laws of descent and

distribution, or by written notice filed pursuant to Section 5(h), in each case within the period of one year after the date the optionee ceases to be such a director by reason of such death, disability or retirement; provided, that no option shall be exercisable after the expiration of ten (10) years from the date of grant.

(g) Exercise Procedure. Options may be exercised only by written notice to the Company at its principal office accompanied by payment in cash of the full consideration for the shares as to which they are exercised.

(h) Exercise by Representative Following Death of Director. A director, by written notice to the Company, may designate one or more persons (and from time to time change such designation) including his legal representative, who, by reason of the director's death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within the term of the option as provided herein. Any exercise by a representative shall be subject to the provisions of the Plan.

6. Modification, Extension and Renewal of Options.

The Board of Directors shall have the power to modify, extend or renew outstanding options and authorize the grant of new options in substitution therefor, provided that any such action may not have the effect of altering or impairing any rights or obligations of any option previously granted without the consent of the optionee.

7. Assignments.

The rights and benefits under the Plan may not be assigned except for the designation of a beneficiary as provided in Section 5.

8. Time for Granting Options.

All options for shares subject to the Plan shall be granted, if at all, not later than five (5) years after the approval of the Plan by the Company's stockholders.

9. Limitation of Rights.

(a) No Right to Continue as a Director. Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain a director for any period of time.

(b) No Stockholders' Rights for Options. An optionee shall have no rights as a stockholder with respect to the shares covered by his options until the date of the issuance to him of a stock certificate therefor, and no adjustment will be made for

dividends or other rights (except as provided in Section 10) for which the record date is prior to the date such certificate is issued.

10. Changes in Common Stock.

(a) If the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares reserved for issuance under the Plan, (ii) the number and kind of shares or other securities subject to then outstanding options under the Plan and (iii) the price for each share subject to any then outstanding options under the Plan, without changing the aggregate purchase price as to which such options remain exercisable. No fractional shares will be issued under the Plan on account of any such adjustments.

(b) In the event that the Company is merged or consolidated into or with another corporation (in which consolidation or merger the stockholders of the Company receive distributions of cash or securities of another issuer as a result thereof), or in the event that all or substantially all of the assets of the Company are acquired by any other person or entity, or in the event of a reorganization or liquidation of the Company, the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company, shall, as to outstanding options, either (i) provide that such options shall be assumed, or equivalent options shall be substituted, by the acquiring or successor corporation (or an affiliate thereof), or (ii) upon written notice to the optionees, provide that all unexercised options will terminate immediately prior to the consummation of such merger, consolidation, acquisition, reorganization or liquidation unless exercised by the optionee within a specified number of days following the date of such notice.

11. Change in Control.

Notwithstanding any other provision to the contrary in this Plan, in the event of a Change of Control (as defined below), all options outstanding as of the date such Change in Control occurs shall become exercisable in full, whether or not exercisable in accordance with their terms. A "Change in Control" shall occur or be deemed to have occurred only if any of the following events occur: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same

proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of January 1, 1989, constitute the Board of Directors of the Company (as of the date thereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date thereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

12. Amendment of the Plan.

The Board of Directors may suspend or discontinue the Plan or review or amend it in any respect whatsoever; provided, however, that without approval of the stockholders of the Company no revision or amendment shall change the number of shares subject to the Plan (except as provided in Section 10), change the designation of the class of directors eligible to receive options, or materially increase the benefits accruing to participants under the Plan.

13. Notice.

Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Treasurer of the Company and shall become effective when it is received.

14. Governing Law.

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the Commonwealth of Massachusetts.

Approved by the Board of Directors on December 14, 1988 Approved by the Stockholders on March 14, 1989.

LEASE

THIS LEASE, dated August 8, 1990, is made between Bourns, Inc., a California corporation ("Landlord"), and Precision Monolithics, Inc., a California corporation ("Tenant").

In consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Article 1. PREMISES

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, subject to all terms and conditions of this Lease, those certain premises commonly known as 1525 Comstock Road, Santa Clara, California consisting of approximately 2.2 acres and including an office building containing approximately 43,500 square feet of rentable area, all building improvements and fixtures attached thereto and all easements appurtenant thereto (the "Premises").

A legal description of the Premises is attached hereto as Schedule A.

Article 2. TERM

2.1 The Initial Term of this Lease, unless sooner terminated as provided herein, shall be five (5) years, commencing on August 8, 1990 (the "Commencement Date").

2.2 Provided there exists no uncured default by Tenant under this Lease, Tenant shall have the option to extend this Lease for three (3) successive terms of five (5) years each (the "Option Terms"). Tenant shall exercise its option for each Option Term, if at all, by written notice to be given to Landlord no later than nine months prior to expiration of the Initial Term or, if Tenant at the time of such extension occupies the Premises pursuant to the earlier exercise of an Option Term, the then-existing Option Term. All references in this lease to the Term of this Lease shall mean, where appropriate, the Initial Term as extended by the exercise of the Option Terms.

Article 3. RENT

3.1 Base Rent for the Initial Term shall be Four Hundred Forty Five Thousand Dollars (\$445,000.00) per annum. Base Rent shall be payable in twelve (12)

equal installments on the first day of each month in advance, except that the portion of Base Rent payable for the fraction of the month starting with the Commencement Date shall be paid on the Commencement Date, prorated on the basis of the actual number of days in said month. If the Initial or any Option Term hereof ends on a day other than the last day of a month, then the portion of the Base Rent for the month during which said expiration occurs shall be prorated on the basis of the actual number of days in said month.

3.2 Base Rent for each Option Term shall be the fair rental value of the Premises at the inception of such Option Term based on the terms and conditions of this Lease. The fair rental value for each Option Term shall be determined by the following process: At least six (6) months prior to the commencement of an Option Term, Tenant and Landlord shall each notify the other of the Base Rent it believes represents the fair rental value of the Premises. If at least four (4) months prior to the commencement of an Option Term, the parties have not agreed in writing on a Base Rent amount, Landlord and Tenant shall determine the fair rental value of the Premises by MAI appraisal conducted by Coldwell Banker, or mutually agreeable equivalent, based on the terms and conditions of this Lease without, however, taking into account any improvements or alterations to the Premises constructed at the expense, exclusive of insurance proceeds, of Tenant. The Base Rent for such Option Term shall be the amount previously proposed by either party that is closer in amount to the appraised rental value. In the event that neither Landlord's nor Tenant's estimate of the fair rental value is closer to the appraised rental value, the Base Rent shall be equal to the appraised rental value. Neither party shall disclose to the appraiser its estimate of the fair rental value. The fees and reimbursable expenses of such appraiser shall be paid by the party whose estimate prevails. If for any reason the Base Rent has not been ascertained by the commencement of the Option Term, Tenant shall pay on account of Base Rent an amount equal to the average of the two proposed Base Rents until such time as the actual Base Rent shall have been established.

3.3 Throughout the term of this Lease, Tenant shall pay, as additional rent, all other amounts of money and charges required to be paid by Tenant under this Lease, whether or not such amounts of money or charges are designated "additional rent." As used in this Lease, "rent" shall mean and include all Base Rent and additional rent payable by Tenant in accordance with this Lease.

3.4 Tenant shall pay all Base Rent under Section 3.1 or Section 3.2 hereof to Landlord, monthly, in advance, on or before the first day of each and every calendar month during the term of this Lease and shall pay all additional rent promptly when due to the person entitled to receive the same. All rent payable to Landlord shall be paid without deduction or offset, in lawful money of the United States of America at the address for Landlord set forth on the signature page hereof, or to such other

person or at such other place as Landlord may from time to time designate in writing.

Article 4. NET LEASE

It is the intention of Landlord and Tenant that the Base Rent payable by Tenant to Landlord during the entire Term of this Lease shall be absolutely net of all costs and expenses incurred in connection with the management, operation, maintenance and repair of the Premises and every part thereof in accordance with this Lease. Subject to Landlord's obligations under Article 11 hereof, Tenant shall manage, operate, maintain and repair the Premises and keep the Premises in compliance with all applicable laws and regulations in accordance with this Lease and shall pay all costs and expenses incurred in connection therewith before such costs or expenses become delinquent.

Article 5. TAXES

5.1 Tenant shall pay, prior to delinquency, as additional rent, all "Property Taxes" (as hereinafter defined) that accrue during or are allocable to the term of this Lease. Landlord shall promptly deliver to Tenant any statements or bills received by Landlord with respect to Property Taxes. Tenant shall receive the benefit of any discount for early payment of such Property Taxes, even if such taxes are not paid early, if Tenant is prevented from paying the taxes early due to Landlord's failure to deliver the bill to Tenant in a timely fashion. No later than ten (10) days after Landlord delivers to Tenant a request for evidence of payment of any such amount, Tenant shall deliver to Landlord a receipt or other evidence satisfactory to Landlord that such bill or statement has been paid.

5.2 "Property Taxes" shall mean all taxes, assessments, excises, levies, fees and charges (and any tax, assessment, excise, levy, fee or charge levied wholly or partly in lieu thereof or as a substitute therefor or as an addition thereto) of every kind and description, general or special, ordinary or extraordinary, foreseen or unforeseen, secured or unsecured, whether or not now customary or within the contemplation of Landlord or Tenant, that are levied, assessed, charged, confirmed or imposed by any public or government authority on or against, or otherwise with respect to, (i) the Premises or any part thereof or any personal property used in connection with the Premises; (ii) any rent payable under this Lease, including, without limitation, any gross income tax or excise tax, levied by any public or government authority with respect to the receipt of any rent with respect to the Premises, but only to the extent no exemption, exclusion or abatement is available to Landlord, at no cost or expense to Landlord, with respect to such tax, or (iii) the possession, leasing, operation, management, maintenance, alternation, repair, use or occupancy by Tenant of the Premises, together with all interest, fines and other charges assessed for the late payment of any thereof. Property Taxes shall not

include net income (measured by the income of Landlord from all sources or from sources other than solely rent under this Lease), franchise, documentary transfer, inheritance or capital stock taxes of Landlord, unless levied or assessed after the Commencement Date against Landlord in whole or in part expressly in lieu of or as a substitute for any Property Taxes.

5.3 Tenant shall have the right to contest any Property Taxes imposed against the Premises or any part thereof, provided (i) the same is done at Tenant's sole cost and expense, (ii) non-payment of such Property Tax will not subject the Premises or any part thereof to sale or other liability by reason of such non-payment, (iii) such contest shall not subject Landlord to the risk of any criminal or civil liability, (iv) Tenant shall provide a bond in form and substance as required by applicable law, and (v) Tenant pays the amount determined to be due promptly after the conclusion of such contest. Landlord agrees to execute and deliver to Tenant any and all documents reasonably required, and to cooperate with Tenant in every respect, in any such contest, but without any cost or expense to Landlord. Landlord agrees not to intervene, compromise or prejudice Tenant's tax abatement or contest case, provided that Tenant remains at all times in full compliance with this Article 5.

Article 6. SERVICES

Tenant shall, at Tenant's sole cost and expense, arrange and pay for all utilities required for the conduct of its business. Landlord shall not be in default hereunder or be liable for any damage or loss directly or indirectly resulting from, nor shall the rent be abated or a constructive or other eviction be deemed to have occurred by reason of, the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, any failure to furnish or delay in furnishing any such services, whether such failure or delay is caused by accident or any condition beyond the control of Landlord or Tenant or by the making of repairs or improvements to the Premises, or any limitation, curtailment, rationing or restriction on use of any utility, whether such results from mandatory governmental restriction or voluntary compliance with governmental guidelines, unless, with respect to each of the foregoing conditions, it is due solely to the act or omission of Landlord or its agents or employees.

Article 7. USE OF PREMISES

Tenant shall use and occupy the Premises for general office purposes and activities reasonably related or ancillary thereto, including research facilities, and shall not use or occupy the Premises for any other purpose without the prior written consent of the Landlord, which approval shall not be unreasonably withheld or delayed. Tenant's use shall at all times be in compliance with the provisions of Article 15 hereof. Tenant shall not commit, or suffer to be committed, any act which (a) is in violation of any insurance requirement which is a condition to the validity of

any insurance policy with respect to the Premises, (b) is in violation of the terms of any insurance policy, or (c) may cause a cancellation of any such insurance for the Premises.

Article 8. ACCEPTANCE OF PREMISES

The Premises shall be let in their present condition, i.e. "as is," and subject to any facts which would be revealed by a survey or physical inspection thereof, the state of title as it presently exists and all laws, ordinances and restrictions applicable thereto. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability or fitness of the Premises or the conduct of Tenant's business or for any other purpose. Notwithstanding the foregoing sentence, Landlord does represent that the use of the Premises by Landlord's immediate predecessor in title was in material conformance with all laws, ordinances and regulations relating to zoning and land use applicable to the Premises. The taking of possession or use of the Premises by Tenant for any purpose shall conclusively establish that the Premises were at such time in satisfactory condition and in conformity with the provisions of this Lease in all respects. Nothing contained in this Article 8 shall affect the commencement of the Term of this Lease or the obligation of Tenant to pay rent hereunder as provided in Article 3 hereof.

Article 9. ALTERATIONS

9.1 Tenant shall not make any alterations, additions or improvements in or to the Premises or any part thereof, or attach any fixtures or equipment thereto, without Landlord's prior written consent. Landlord's approval shall not be unreasonably withheld or delayed but may be subject to such conditions as Landlord may reasonably require. Tenant shall not be required to restore any alterations, additions or improvements made by Tenant during the Term, unless such restoration is required by Landlord at the time of such alteration, addition or improvement. In addition, Tenant may make such alterations, additions or improvements without Landlord's consent, but with notice to Landlord, if the total per-project cost of such alterations, additions or improvements is \$50,000.00 or less, and such alterations, additions or improvements will not affect the structural elements of the Premises, detract from the fair rental or market value of the Premises. Tenant will comply with all applicable codes, laws, ordinances, rules or regulations in connection with any alterations, additions or improvements. All alterations, additions or improvements in or to the Premises shall be made by Tenant at Tenant's sole cost and expense, shall be made expeditiously once work is begun and shall be completed in a good and workmanlike manner using first class materials. No part of the Premises shall be demolished unless Landlord has received an acceptable surety bond assuring reconstruction. Tenant shall, at its expense, provide builder's risk insurance naming Landlord as an insured during the period of any construction work.

9.2 All alterations, additions or improvements requiring Landlord's consent shall be made as follows:

(a) Tenant shall submit to Landlord, for Landlord's written approval, complete plans and specifications for all work to be done by Tenant. Such plans and specifications shall be prepared by licensed architect(s) and engineer(s) approved by Landlord, such approval not to be unreasonably withheld or delayed, shall comply with all applicable codes, ordinances, rules and regulations, shall be in a form sufficient to secure the approval of all government authorities with jurisdiction over the Premises, and shall be otherwise satisfactory to Landlord in Landlord's reasonable discretion. Landlord's failure to respond to a request for plan approval within thirty (30) days shall be deemed approval of such plans.

(b) Tenant shall, through Tenant's licensed contractor, perform the work substantially in accordance with the plans and specifications approved in writing by Landlord. All material changes in the plans and specifications approved by Landlord shall be subject to Landlord's prior written approval. Any such change shall be based upon revised plans and specifications prepared by the licensed architect(s) and engineer(s) approved by Landlord, such approval not to be unreasonably withheld or delayed.

(c) Tenant shall pay the entire cost of all work (including the cost of all utilities, permits, fees, taxes, and property and liability insurance premiums in connection therewith) required to make the alterations, additions or improvements. Under no circumstances shall Landlord be liable to Tenant for any damage, loss, cost or expense incurred by Tenant on account of any plans and specifications, contractors or subcontractors, design of any work, construction of any work, or delay in completion of any work.

9.3 All improvements, alterations, additions and fixtures (other than trade fixtures), whether temporary or permanent in character, made in or to the Premises by Tenant, shall remain the property of Tenant until the expiration or earlier termination of this Lease, whereupon they shall become part of the Premises and Landlord's property. All movable furniture, equipment, trade fixtures, computers, office machines and other personal property of Tenant shall remain the property of Tenant. Upon the expiration or earlier termination of this Lease, Tenant shall, at Tenant's expense, remove all such movable furniture, equipment, trade fixtures, computers, office machines and other personal property from the Premises and repair all damage caused by such removal; provided, however, that Tenant shall not be obligated to make any repairs to wall or floor coverings or otherwise make repairs if Landlord intends to otherwise demolish or renovate the Premises so that for all practical purposes, the repairs would be in vain. This Section 9.3 shall survive the expiration or earlier termination of this Lease.

Article 10. LIENS

Tenant shall promptly discharge or bond off any liens and encumbrances whatsoever, including mechanics' liens, arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant. Tenant shall indemnify and hold harmless Landlord from and against any such lien or claim or action thereon, and reimburse Landlord promptly upon demand therefor by Landlord for costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such claim or actions.

Article 11. MAINTENANCE AND REPAIR

11.1 Landlord shall, throughout the Term, at Landlord's sole cost and expense (a) make all structural repairs to the Premises including, without limitation, repairs to the roof, the exterior and load bearing walls, the structural columns and the foundation, and (b) to the extent required within six (6) months from the date of this Lease, make all capital replacements (not including overhauls or upgrades) to the plumbing, mechanical, electrical and HVAC systems and equipment (specifically excluding filters and scrubbers) existing in the Premises as of the date of this Lease, but only to the extent the cost of each such capital replacement exceeds \$10,000. Landlord shall not be responsible for the matters listed in (a) or (b) above to the extent any such structural repair or capital replacement is made necessary by any act or omission of Tenant, its agents or employees.

11.2 Except as provided in Section 11.1, Tenant shall, at Tenant's sole cost and expense, and at all times, keep and maintain the Premises and every part thereof, in good working order and condition and shall make all normal and ordinary repairs and replacements which may be necessary to keep the Premises in good working order and condition, subject to ordinary wear and tear. Tenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Tenant shall at all times maintain the current slope, grade and drainage of the land included in the Premises. Landlord and Tenant expressly waive the benefit of Section 1942 of the California Civil Code, as the same may be amended in the future, or any statutory provision enacted in lieu thereof.

Article 12. ENTRY BY LANDLORD

Landlord shall have the right to enter the Premises at any time during an emergency and at reasonable times upon prior notice to (i) inspect the Premises, (ii) exhibit the Premises to prospective purchasers or lenders or, within 6 months prior to the expiration of the Term, prospective tenants, (iii) determine whether Tenant is performing all of Tenant's obligations under any portion of this Lease, (iv) post notices-of nonresponsibility, (v) perform any inspection or action requested or ordered by any governmental authority and (vi) make any repairs to the Premises

which, following requisite notice hereunder, Tenant has failed to perform. Except to the extent caused by the gross negligence or willful misconduct of Landlord or Landlord's agents or employees, Tenant waives all claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry; provided that Landlord shall have used reasonable efforts to avoid or minimize any disturbance or disruption to Tenant's business.

Article 13. LIMITATIONS ON LANDLORD'S LIABILITY; INDEMNITY; INSURANCE

13.1 Landlord shall not be liable to Tenant under this Lease, nor shall Tenant be entitled to terminate this Lease or to any abatement of rent, for any damage to or loss or theft of any property or for any bodily or personal injury, illness or death of any person in, on or about the Premises or for any loss to Tenant's business arising at any time and from any cause whatsoever (except to the extent caused by the gross negligence or willful misconduct of Landlord or its agents or employees). Tenant waives all claims against Landlord arising from any liability described in this Section 13.1 (except to the extent caused by the gross negligence or willful misconduct of Landlord or its agents or employees).

13.2 Tenant shall indemnify, hold harmless and defend Landlord, its officers, directors, stockholders, partners, employees, agents and representatives and any other party acting on behalf of Landlord against all claims, demands, causes of action, liabilities, damages, losses, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any use or occupancy of the Premises, or any condition of the Premises, or any default in the performance of Tenant's obligations, or any damage to any property (including property of employees and invitees of Tenant) or any bodily or personal injury, illness or death of any person (including employees and invitees of Tenant) occurring in, on or about the Premises, or any part thereof arising at any time and from any cause whatsoever (except to the extent caused by the negligence or misconduct of Landlord or its agents or employees) or occurring outside the Premises when such damage, bodily or personal injury, illness or death is caused by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees. This Section 13.2 shall survive the expiration or earlier termination of this Lease with respect to any damage, bodily or personal injury, illness or death occurring prior to such termination.

13.3 Tenant shall at all times, at its sole cost and expense, obtain, or cause Analog to obtain, pay for and maintain in full force and effect such insurance policy or policies as Landlord may from time to time reasonably request, including the following:

(a) "All-Risk" property (including boiler and machinery) insurance, on a replacement cost basis covering the Premises in an amount no less than the full replacement cost thereof, excluding insurance coverage for the peril of earthquake, including the costs of demolition and increased cost of construction and contingent liability arising out of the need to comply with any building code, law or regulation, to the extent the loss is due to direct physical loss to the Premises from an insured peril. Loss covered by such insurance shall be adjusted by Tenant subject to approval of Landlord, such approval not to be unreasonably withheld or delayed, and the proceeds of such insurance shall be payable solely to Landlord and Tenant or any Lender designated as mortgagee or loss payee. Landlord shall be designated as named insured in such policies and any Lender designated by Landlord shall be included as mortgagee or loss payee relative to all real property. All risk property policies may provide for reasonable deductibles (which at the inception of this Lease is \$100,000). To the extent Landlord maintains insurance coverage against the peril of earthquake with respect to the Premises, Tenant agrees to reimburse Landlord for the annual premium, up to a maximum of \$2,000.00 per year.

(b) Commercial general liability in respect to occurrences arising out of or relating to the operation, maintenance and use of the Premises, and umbrella liability insurance covering Tenant and Landlord as named insureds against claims arising out of liability for bodily injury and death and personal injury and advertising injury and property damage occurring in and about the Premises and otherwise resulting from any acts and operations of Tenant and Landlord with limits not less than the existing or future limits of such insurance generally purchased by Tenant with respect to any other premises or operations of Tenant but in no event less than a total combined single limit at \$10,000,000 per occurrence and \$50,000,000 annual general aggregate. Such insurance may provide for a reasonable deductible (which at the inception of this Lease is \$100,000). If commercially and reasonably available to Tenant, such policies shall be in occurrence form and cross liability and severability of interests shall apply (with the exception of limits of liability).

(c) Workers' compensation and employer's liability insurance in the state in which the Premises are located. The total limits of the employer's liability coverage shall not be less than the amounts required by applicable law.

(d) Such other appropriate endorsements or extensions of coverage as would be deemed reasonable for a prudent landlord to require with respect to other similar properties, provided they are available at a commercially reasonable cost.

(e) In the event that any deductible or otherwise self-insured retention amounts are applicable with respect to any loss or claim under any of the insurance described in this Article 13 or otherwise, all such amounts shall be entirely paid by Tenant.

13.4 All insurance required under this Article 13 and all renewals thereof shall be issued by good and responsible companies rated not less than "A; 25 million policy holder surplus" by Best's Insurance Guide and qualified to do and doing business in California. Each policy shall expressly provide that the policy shall not be cancelled or altered without thirty (30) days' prior written notice to Landlord and any designated Lender; provided that Tenant shall use its reasonable efforts to have each policy expressly provide that it shall not be cancelled or altered without sixty (60) days' prior written notice to Landlord and any designated Lender. All insurance under Articles 13.3(a) and 13.3(b) shall be primary and noncontributing with any insurance which may be carried by Landlord. The term "Lender" means any institutional holder of a first or second mortgage lien encumbering the Premises or any part thereof.

13.5 The insurance required by this Lease, at the option of Tenant, may be effected by blanket policies, umbrella policies or both issued to Tenant covering the Premises and other properties owned or leased by Tenant, provided that the policies otherwise comply with the provisions of this Lease and allocate to the Premises the specified coverage. Tenant shall furnish to Landlord or any Lender of Landlord certificates of insurers, evidencing the existence of such policies and Tenant shall also provide copies certified by Tenant of such policies in which Landlord has an insurable interest as soon as such policies are received from insurance companies upon Landlord's request with schedules thereto attached showing the amount of insurance afforded by such policies applicable to the Premises. If Tenant fails to insure or fails to furnish to Landlord upon notice to, do so any such certificate thereof as required, Landlord shall have the right to effect such insurance for the benefit of Tenant or Landlord or any Lender or any or all of them, and all premiums paid by Landlord shall be payable by Tenant as additional rent on demand.

13.6 Landlord covenants that any person entering the Premises to perform physical work or activity on the Premises on behalf of Landlord shall be covered by comprehensive general liability insurance with a combined single limit of not less than \$1,000,000, and by workmen's compensation insurance, if and to the extent required by law. Landlord shall use reasonable efforts to assure that all other persons entering on the Premises on behalf of Landlord are similarly insured.

Article 14. HAZARDOUS SUBSTANCES

14.1 Tenant shall not engage in any activity in, on or about the Premises involving the generation, transportation, use, storage, spill, release or disposal of Hazardous Substances without the express prior written consent of Landlord and compliance in a timely manner (at Tenant's sole cost and expense) with all Applicable Law (as defined in Article 15). "Hazardous Substances" as used in this Lease shall mean any substance or material, or mixture or waste containing such substance or material, regardless of quantity or concentration, which is or may be (i) subject to

regulation under state, federal or local law, (ii) a basis for liability of Landlord to any governmental agency or third party under any applicable statute, regulation or common-law theory. Notwithstanding the foregoing, Tenant may, without Landlord's prior consent, but in compliance with all Applicable Law, generate, transport, use, store or dispose of Hazardous Substances on the Premises as is necessary to conduct Tenant's business as permitted by Article 7 on the Premises.

14.2 [Intentionally omitted.]

14.3 Tenant shall notify Landlord of any release of a Hazardous Substance at the Premises, if and when Tenant determines that such release is required to be reported to any local, state or federal governmental authority.

14.4 Tenant shall indemnify, protect, defend and hold Landlord, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Tenant or under Tenant's control. Tenant's obligations under this Article 14 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration, and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Landlord in writing at the time of such agreement. Notwithstanding the foregoing, specifically excluded from Tenant's indemnification obligation under this Section 14.4 are the obligations of Bourns, Inc. arising under Section 31.8 of this Lease.

14.5 If a release of a Hazardous Substance occurs for which Tenant is responsible ("Hazardous Substance Condition"), Tenant shall make the investigation and remediation thereof required by Applicable Law, and this Lease shall continue in full force and effect, but subject to Landlord's rights under Articles 21 and 22 hereof. If after sixty (60) days written notice to Tenant from Landlord of Tenant's obligations under this Section Tenant has failed to begin investigation and remediation of such Hazardous Substance Condition, Landlord may, upon thirty (30) days written notice to Tenant, terminate this Lease unless Tenant, in such thirty (30) days notice period, begins investigation and remediation of such Hazardous Substance Condition and agrees in writing to pay for the investigation and remediation of such Hazardous Substance Condition at Tenant's sole expense and without reimbursement from Landlord.

Article 15. TENANT'S COMPLIANCE WITH LAW

15.1 Except as otherwise provided in this Lease, Tenant shall, at Tenant's sole cost and expense, fully, diligently and in a timely manner, comply in all respects with all "Applicable Law," which term is used in this Lease to include all laws, rules, regulations, ordinances, and directives or any state, federal or local governmental authority relating in any manner to the Premises. Tenant shall, within five (5) days after receipt of Landlord's written request, provided Landlord with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with any Applicable Law specified by Landlord, and shall immediately upon receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Tenant or the Premises to comply with any Applicable Law.

15.2 Notwithstanding Section 15.1, Tenant shall have the right to contest the validity or applicability to Tenant or to the Premises of any Applicable Law, provided (i) the same is done at Tenant's sole cost and expense, (ii) non-compliance with such Applicable Law will not subject the Premises or any part thereof to sale or other liability by reason of such non-compliance, (iii) such contest shall not subject Landlord to the risk of any criminal or civil liability, (iv) Tenant shall provide security in form and amount reasonably requested by Landlord, taking into account the factors listed in subclauses (i), (ii) and (iii) above, and (v) Tenant complies with such Applicable Law promptly after the conclusion of such contest, if determined adversely to Tenant.

Article 16. WAIVER OF SUBROGATION

Any insurance carried by either party with respect to the Premises or property therein or occurrences thereon shall, if it can be so written without additional premium or with an additional premium which the other party agrees to pay, include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of injury or loss. Each party, notwithstanding any provisions of this Lease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by such insurance to the extent of the indemnification received thereunder.

Article 17. ASSIGNMENT AND SUBLETTING

17.1 Except to an entity controlling, controlled by or under common control with Tenant (an "Affiliate"), or to a successor to Tenant by way of merger, consolidation or the sale of all or substantially all of Tenant's assets, Tenant shall not either voluntarily or by operation of law assign, encumber, pledge or otherwise

transfer or hypothecate all or any part of Tenant's leasehold estate hereunder, or permit the Premises to be occupied by anyone other than Tenant or an Affiliate, or Tenant's or such Affiliate's employees, or sublet the Premises or any portion thereof, without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; provided, however, that no one but Tenant, an Affiliate, or a successor to Tenant by way of merger, consolidation or the sale of all or substantially all of Tenant's assets, may exercise any Option to extend the Term of this Lease, so that the occupancy of any sublessee shall be limited to the balance remaining in the term during which such sublessee's occupancy begins. No collection or acceptance of rent by Landlord from any person shall be deemed a waiver of any provision of this Article 17, the acceptance of any assignee or subtenant as the tenant hereunder or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing.

17.2 If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord (a) the name of the proposed subtenant or assignee; (b) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (c) the terms and provisions of the proposed sublease or assignment, and (d) such financial information as Landlord may reasonably request concerning the proposed subtenant or assignee.

17.3 At any time within fifteen (15) days after Landlord's receipt of the information specified in Section 17.2 hereof, Landlord may by written notice to Tenant elect to (a) consent to the proposed subletting or assignment, in which event Tenant may within ninety (90) days thereafter, enter into a valid assignment or sublease of the Premises or portion thereof with such proposed assignee or sublessee, upon the terms and conditions set forth in the information furnished by Tenant to Landlord pursuant to Section 17.2 hereof, or (b) refuse to give its consent, specifying in reasonable detail the reason(s) therefor.

17.4 No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether accruing before or after such consent, assignment or subletting. The consent by Landlord to any assignment or subletting shall not relieve Tenant or any successor, assignee or subtenant of Tenant, from the obligation to obtain Landlord's express written consent to any other assignment or subletting. Any assignment or subletting which is not in compliance with this Article 17 shall be void and, at the option of Landlord, constitute a default by Tenant hereunder.

17.5 Each assignee, other than Landlord, shall assume all obligations of Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent, and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be

performed for the term of this Lease; provided, however, that the assignee shall be liable to Landlord for rent only in the amount set forth in the assignment or transfer. No assignment shall be binding on Landlord unless such assignee or Tenant shall deliver to Landlord a counterpart of such assignment and an instrument in recordable form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord, consistent with the requirements of this Section 17.5, but the failure or refusal of the assignee to execute such instrument of assumption shall not release or discharge the assignee from its liability as set forth above.

17.6 The voluntary or other surrender of this Lease by Tenant or a mutual cancellation hereof shall not work a merger, and shall at the option of Landlord, terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of such subleases or subtenancies.

17.7 Tenant shall reimburse Landlord for Landlord's reasonable costs, including, without limitation, its attorneys' fees, incurred in conjunction with the processing and documentation of any assignment, subletting, transfer, change of ownership or hypothecation of this Lease or Tenant's interest in and to the Premises, or Tenant's request for Landlord's consent to any thereof.

Article 18. TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing solely under this Lease from and after the date of such transfer.

Article 19. DAMAGE OR DESTRUCTION

19.1 If the whole of the Premises or so much thereof as to render the balance unusable by Tenant shall be destroyed by casualty during the term of this Lease, either party may terminate this lease upon fifteen (15) days' written notice to the other party; provided, however, that all proceeds from insurance and any deductible or self-insured retention amounts are paid over to Landlord, or the Lender, if so required. If either party shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

19.2 If the Lease is not terminated pursuant to Section 19.1, and if the proceeds of insurance are made available to Tenant, Tenant shall proceed to restore the Premises to substantially the condition existing prior to such casualty, and this Lease shall continue in full force and effect. Tenant shall not be entitled to any reduction in or abatement of rent by reason of any such damage.

19.3 No damage, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises.

19.4 With respect to any damage which Landlord is obligated to repair or elects to repair, Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases its rights under the provisions of Sections 1932(2) and 1933(4) of the California Civil Code.

Article 20. EMINENT DOMAIN

20.1 If the whole of the Premises or so much thereof as to render the balance unusable by Tenant shall be taken under power of eminent domain, this Lease shall automatically terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. No award for any such partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for its relocation expenses, the taking of personal property and fixtures belonging to Tenant, the interruption of or damage to Tenant's business and/or for Tenant's unamortized cost of leasehold improvements.

20.2 In the event of a partial taking which does not result in a termination of this Lease, rent shall be abated in proportion to that part of the Premises made unusable by such partial taking.

20.3 No temporary taking (which shall mean a taking for a period of six (6) months or less), of the Premises and/or of Tenant's rights therein or under this Lease shall terminate this Lease or give Tenant any right to any abatement of rent hereunder. Any award made to Tenant by reason of any such temporary taking shall belong entirely to Tenant and Landlord shall not be entitled to share therein.

Article 21. DEFAULTS

The occurrence of any one or more of the following shall constitute a default by Tenant:

(i) The failure by Tenant to pay the Base Rent when due where such failure continues for more than five (5) days after written notice to Tenant; provided, that such notice shall be in lieu of and not in addition to any notice required under Section 1161 of the California Code of Civil Procedure;

(ii) The abandonment, as a matter of law, of the Premises by Tenant;

(iii) The failure by Tenant to observe or perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion; and provided further, that such notice shall be in lieu of and not in addition to any notice required under Section 1161 of the California Code of Civil Procedure;

(iv) If Tenant becomes insolvent as defined in the Federal Bankruptcy Code, admits in writing its insolvency or its present or prospective inability to pay its debts as they become due, is unable to or does not pay all or any material portion (in number or dollar amount) of its debts as they become due, permits or suffers a judgment to exist against it which affects Tenant's ability to conduct its business in the ordinary course (unless enforcement thereof is stayed pending appeal), makes an assignment for the benefit of creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts, or commences any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of debtors;

(v) If Tenant fails to obtain the dismissal, within sixty (60) days after the commencement thereof, of any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of debtors, instituted against it by one or more third parties, or fails actively to oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or its desire to seek liquidation, reorganization or adjustment of any of its debts; or

(vi) If any receiver, trustee or custodian is appointed to take possession of all or any substantial portion of the assets of Tenant, or any committee of Tenant's creditors, or any class thereof, is formed for the purpose of monitoring or investigating the financial affairs of Tenant or enforcing such creditors' rights.

Article 22. REMEDIES

In the event of any such default, then, in addition to any other remedies available to Landlord at law or in equity:

22.1 Landlord shall have the right to terminate this Lease and all rights of Tenant hereunder by giving Tenant written notice of such election to terminate, in which event Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(ii) the worth at the time of award of any amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental losses which Tenant proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss which Tenant proves could be reasonably avoided; plus

(iv) any other amount, including attorney's fees and administrative expenses, necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

For purposes of this Section 22.1, rent, other than the Base Rent, shall be computed on the basis of the average monthly amount thereof accruing during the 24-month period immediately prior to default, except that if it becomes necessary to compute such rental before such 24-month period has occurred, then on the basis of the average monthly amount during such shorter period. As used in subparagraphs (i) and (ii) above, the "worth at the time of award" shall be computed by allowing interest at the rate specified in Section 22.5 hereof. For purposes of subsection (iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

22.2 Landlord shall have the right, with or without terminating this Lease, to re-enter the Premises, remove all persons and property from the Premises pursuant to legal proceedings or any notice provided by law, and without terminating this Lease, either recover all rent as it becomes due or relet the Premises or any part thereof. Landlord shall use reasonable efforts to relet the Premises. The rentals actually received by Landlord from such reletting shall be applied first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the costs of such reletting; third, to the costs of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid

hereunder, together with interest thereon and late charges attributable thereto; and the balance, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should any reletting result in the actual payment of rentals at less than the rent payable during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord.

22.3 No re-entry or taking possession of the Premises by Landlord pursuant to this Article 22 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord, Landlord may at any time after such reletting elect to terminate this Lease.

22.4 Notwithstanding anything to the contrary contained elsewhere herein, if Tenant shall fail to make payment of any obligation under this Lease within five (5) days after the same becomes due and payable, Tenant acknowledges that Landlord will incur extra administrative expenses (i.e., in addition to expenses incident to receipt of timely payment) in connection with the delinquency in payment. Because, the actual damages suffered by Landlord in incurring such extra administrative expenses would be impracticable or extremely difficult to ascertain, it is agreed that three percent (3%) of the amount of the delinquent payment shall be the amount of damages to which Landlord is entitled, upon such default, in compensation for such extra administrative expenses. Therefore, Tenant shall, in such event, without further notice, pay to Landlord as Landlord's sole monetary recovery to cover such extra administrative expenses, liquidated damages in the amount of three percent (3%) of the amount of such delinquent payments. In addition to the foregoing, Tenant acknowledges that Landlord may incur actual damages, in the event of delinquency in payment, in the amount of the actual cost of funds borrowed by Landlord to replace the amount of the delinquent payment hereunder. Tenant agrees to pay such actual damages, to the extent actually incurred by Landlord, to Landlord upon demand. Nothing contained in this Section 22.4 shall be construed as an express or implied agreement by Landlord to forbear the collection of any delinquent payment or be construed as in any way giving Tenant the right, express or implied, to fail to make timely payment hereunder. The right of Landlord to receive payment of such liquidated and actual damages, and receipt thereof, are without prejudice to the right of Landlord to collect such delinquent payments and any other amounts provided to be paid hereunder, or to declare a default hereunder.

22.5 Any amount due from Tenant to Landlord which is not paid when due shall bear interest at the lesser of twelve (12%) percent per annum or the maximum rate or rates from time to time permitted by applicable federal or state law from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the failure to make such payment when due.

22.6 If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of or under this Lease, including any suit by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees in such suit. Such attorneys' fees shall be deemed to have accrued as of the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

Article 23. SURRENDER OF PREMISES; REMOVAL OF PROPERTY

23.1 The voluntary or other surrender of this Lease by Tenant, or a mutual termination thereof, shall not work a merger, and shall at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies affecting the Premises.

23.2 Upon the expiration of the term of this Lease, or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order and condition as the same are now or hereafter may be improved by Landlord or Tenant, ordinary wear and tear and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions and other articles of personal property owned by Tenant and all similar articles of any other persons claiming under Tenant unless Landlord exercises its option to have any subleases or subtenancies assigned to it, and Tenant shall repair all damage to the Premises resulting from such removal.

23.3 Whenever Landlord shall re-enter the Premises pursuant to Article 22 hereof or as otherwise provided in this Lease, any property of Tenant not removed by Tenant upon the expiration of the term of this Lease (or within forty-eight (48) hours after a termination by reason of Tenant's default) shall be considered abandoned and Landlord may remove any or all of such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, and if Tenant shall fail to pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice to or demand upon Tenant for the payment of all or any part of such charges or the removal of any such property. Landlord shall apply the proceeds of such sale first, to the cost and expense of such sale, including, without limitation, attorneys' fees incurred in connection therewith second, to the payment of the cost of or charges for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord from Tenant under any of the terms hereof; and fourth, the balance, if any, to Tenant.

23.4 All fixtures, alterations, additions, improvements and/or appurtenances attached or built into the Premises prior to or during the Term hereof, whether by Landlord at its expense or at the expense of Tenant or both, shall be and remain part of the Premises and shall not be removed by Tenant at the end of the Term hereof unless otherwise expressly provided for in this Lease. Any items installed by Tenant without Landlord's consent, as permitted under Section 9.1, shall be removed by Tenant at the end of the Term, if so required by Landlord unless Landlord has given a contrary indication in writing to Tenant at the time of the installation of such items. Such fixtures, equipment, alterations, additions, improvements and/or appurtenances shall include, without limitation, floor coverings, drapes, paneling, molding, doors, plumbing systems, electrical systems, lighting systems, silencing equipment, communication systems, all fixtures and outlets for the systems mentioned above and for all telephone, radio, telegraph and television purposes, and any special flooring or ceiling installations.

Article 24. WAIVER OF DAMAGES FOR RE-ENTRY

Tenant hereby waives all claims for damages that may be caused by Landlord's re-entering and taking possession of the Premises or removing and storing the property of Tenant as herein provided, and Tenant shall indemnify and hold harmless Landlord therefrom. No such re-entry shall be considered or construed to be a forcible entry.

Article 25. HOLDING OVER

25.1 If Tenant holds over after the term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month to month only, and not a renewal hereof or an extension for any further term, and in such case base rent shall be payable at the rate of one hundred fifty percent (150%) of the rent then payable pursuant to Article 3 hereof, and such month to month tenancy shall be subject to every other term, covenant and agreement contained herein. Nothing contained in this Article 25 shall be construed as a consent by Landlord to any holding over by Tenant and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in Article 23 hereof upon the expiration of the term of this Lease or other termination of this Lease.

25.2 Tenant acknowledges that Landlord will use reasonable efforts to re-let the Premises on reasonable terms and conditions as soon as practicable following the expiration or sooner termination of the term of this Lease. In that context, Landlord may well enter into agreements with third parties providing for the occupancy of the Premises, or a portion thereof, upon such expiration or sooner termination or as soon thereafter as Landlord has estimated that it will be able to refurbish the Premises, and that the failure by Tenant to surrender possession of the Premises upon such expiration or sooner termination may render Landlord unable to fulfill its obligations

to such third party. Accordingly, if Tenant fails to surrender possession of the Premises upon such expiration or sooner termination, Tenant shall indemnify and hold Landlord harmless from and against any and all costs, losses, claims or liabilities, including, without limitation, attorneys' fees, arising under any claim made by any such third party based, in whole or in part, on Landlord's failure to deliver possession of the Premises, or any part thereof, to such third party.

Article 26. SUBORDINATION

26.1 This Lease is and at all times shall be subject and subordinate to any ground or underlying leases, mortgages, trust deeds or like encumbrances, which may now or hereafter affect the real property of which the Premises are a part, and to all renewals, modifications, consolidations, replacements and extensions of any such lease, mortgage, trust deed or like encumbrance. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying lessor or by any mortgagee or beneficiary, affecting any lease or the real property of which the Premises are a part. In confirmation of such subordination, Tenant shall execute promptly any certificate that Landlord may request. The subordination of this Lease to any such lease, mortgage, trust deed or like encumbrance shall, however, be subject to the following:

(i) In the event of the sale of the Premises upon foreclosure or upon the exercise a power of sale, or by transfer in lieu of foreclosure or such exercise, Tenant will upon written request attorn to the purchaser and recognize the purchaser, or transferee, as the Landlord under this Lease.

(ii) Notwithstanding such subordination, Tenant's right to quiet possession of the Premises and all other Tenant's rights under this Lease, shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant unless this Lease is terminated pursuant to specific provisions relating thereto contained herein.

26.2 Notwithstanding anything to the contrary herein, Landlord agrees, at the request of Tenant, to use its reasonable efforts to obtain from Security Pacific National Bank a recognition and non-disturbance agreement in form and substance reasonably satisfactory to Tenant, and Landlord shall cooperate with Tenant as may be necessary to secure such agreement.

Article 27. ESTOPPEL CERTIFICATES

Tenant shall at any time and from time to time upon not less than twenty (20) days' prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as

modified and stating the modifications), stating the dates to which the basic rent, additional rent and other charges have been paid in advance, if any, stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge, and responding to such other questions or statements of fact as Landlord or any ground or underlying lessor or any mortgagee or beneficiary shall reasonably request. Tenant's failure to deliver such statement within such time shall constitute an acknowledgment by Tenant that this Lease is unmodified and in full force and effect except as may be represented to the contrary by Landlord, no more than one monthly installment of Base Rent has been paid in advance, Landlord is not in default in the performance of any covenant, agreement or condition contained in this Lease and the other matters set forth in such request, if any, are true and correct. Any such statement delivered pursuant to this Article 27 may be relied upon by any prospective purchaser of the fee of the Premises or any mortgagee or other like encumbrancer thereof or any assignee of any such encumbrancer upon the Premises. Landlord shall reimburse Tenant for Tenant's reasonable costs, including, without limitation, its attorneys' fees, incurred in conjunction with the processing and documentation of any estoppel certificate.

Article 28. RIGHT OF LANDLORD TO PERFORM

If Tenant shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue beyond any applicable grace period set forth in Article 21 or 22 hereof, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligation of Tenant, make any such payment or perform any such other act. Tenant shall, promptly and upon demand therefor by Landlord, reimburse Landlord for all sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate of twelve (12%) percent from the date of such payment by Landlord, and Landlord shall have the same rights and remedies in the event of the failure by Tenant to pay such amounts as Landlord would have in the event of a default by Tenant in the payment of rent.

Article 29. NOTICES

All notices and consents which Landlord or Tenant may be required, or may desire, to serve or confer on the other must be in writing and may be served, as an alternative to personal service, by mailing the same by either (a) registered or

certified mail, postage prepaid, return receipt requested, or (b) Federal Express or similar overnight courier delivery service, addressed as follows:

If to Landlord: Bourns, Inc.
 1200 Columbia Avenue
 Riverside, California 92507
 Attn: Larry L. White,
 Executive Vice President

With a copy to: Bourns, Inc.
 1200 Columbia Avenue
 Riverside, California 92507
 Attn: William Becker, Esq.,
 Chief Legal Counsel

If to Tenant: Precision Monolithics, Inc.
 1500 Space Park Drive
 Santa Clara, California 95052
 Attn: President

With copies to: Analog Devices, Inc.
 One Technology Way
 Norwood, Massachusetts 02062
 Attn: Chief Financial Officer

And: Philip D. Stevenson, Esq.
 Hale and Dorr
 60 State Street
 Boston, Massachusetts 02109

or, in each case, addressed to such other address or addresses as either Landlord or Tenant may for itself from time to time designate to the other as provided herein. Any such notice so mailed shall be deemed effective upon receipt or refusal of tender for receipt.

Article 30. QUIET ENJOYMENT

Tenant, upon paying the basic rent, additional rent and other charges herein provided for and observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease without hindrance or molestation of anyone claiming by, through or under Landlord, subject, however, to the matters herein set forth.

Article 31. INTERPRETATION

31.1 The words "Landlord" and "Tenant," as used herein, shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. The headings or titles to the articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part thereof.

31.2 The obligations imposed upon Tenant hereunder shall be joint and several.

31.3 Subject to the provisions of Article 17 hereof relating to assignment and subletting, this Lease is intended to and does bind and inure to the benefit of the heirs, executors, administrators, successors and assigns of any and all of the parties hereto.

31.4 Time is of the essence of this Lease.

31.5 This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

31.6 If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected thereby and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

31.7 The waiver by Landlord or Tenant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition as to any subsequent breach of the same or of any other term, covenant or condition herein contained. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

31.8 This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitutes the entire and exclusive agreement between Landlord and Tenant relating to the Premises, and this agreement and said exhibits and attachments and other documents may be altered, amended or revoked only by an instrument in writing signed by the party to be charged thereby. All prior or contemporaneous oral agreements, understandings and/or practices relating to the Premises are merged in or revoked by this agreement. Notwithstanding any other provision of this Lease, Bourns, Inc. ("Bourns")

acknowledges and affirms its obligation to remediate existing soil and groundwater contamination on the Premises pursuant to the Stock Purchase Agreement by and between Bourns and Analog Devices, Inc., dated August 8, 1990 (the "SPA"), and agrees that to the extent that the terms and obligations of Bourns pursuant to the SPA are inconsistent with the terms and obligations of the Lease, the terms and obligations of the SPA shall supersede and govern the terms and obligations of this Lease. Tenant agrees to cooperate with and aid and assist Bourns as reasonably necessary in fulfilling Bourns' obligations under the SPA, at no out-of-pocket cost or expense, or liability to Tenant.

31.9 This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement.

31.10 In the event that any claim is made by one party against the other pursuant to this Lease, such claim shall be made on a bona fide, good faith determination by the party making such claim.

31.11 In the event of a sale of the Premises by Bourns or an Affiliate of Bourns to an unaffiliated party, Tenant shall have the right to terminate this Lease by notice to Landlord.

Submission of this Lease by either party shall not bind either party in any manner and no lease or other obligation on the part of either party shall arise, until this Lease is executed and delivered by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

Landlord: Bourns, Inc. Tenant: Precision Monolithics, Inc.

By /s/ Larry L. White Title: Exec. Vice President By Alan King Title: President

By Title By Title

Address: Address:

Schedule A

COMSTOCK ROAD PROPERTY

All that certain real property situate in the City of Santa Clara, County of Santa Clara, State of California, described as follows

Portion of Lot 6 as shown on Map accompanying the final report of Referee in the Partition action had in the District County of the State of California in and for the County of Santa Clara, entitled "William C. Parker, et al, vs. Richard M. Kifer, et al, Case No. 3906", described as follows:

Beginning at the intersection of the Easterly line of Kenneth Street, 60 feet wide, as established by the Deed to the City of Santa Clara, recorded November 13, 1968, Book 8331, Official Records, page 499, with the Northerly line of the parcel of land described in the Deed to Foremost-McKesson, Inc., recorded June 5, 1968, Book 8146, Official Records, page 520; thence from said point of beginning S. 89[degree] 08' 35" E. along said Northerly line 395 feet to the Northeasterly corner of said Foremost McKesson, Inc., parcel of land; thence S. 0[degree] 51' 25" W. along the Easterly line of said parcel of land, 242.43 feet to the Northerly line Comstock Street as established by Deed to the County of Santa Clara, recorded November 1, 1967, Book 7913, Official Records, page 233; thence along said line of Comstock Street, N. 89[degree] 07' 32" W, 183.54 feet; thence continuing along said line of Comstock Street Westerly on curve to the right, with a radius of 15.111 feet, through a Central angle of 0[degree] 36' 44", for an arc distance of 161.51 feet; thence along the Easterly line of Kenneth Street Northwesterly along a compound curve to the right, with a radius of 50 feet, through a central angle of 90[degree] 45' 59" for an arc distance of 79.21 feet; thence continuing along said line of Kenneth Street, N. 0[degree] 59' 55" E. 193.15 feet to the point of beginning.

COMPOSITE COPY

LEASE

THIS LEASE, dated August 8, 1990, is made between Bourns, Inc., a California corporation ("Landlord"), and Precision Monolithics, Inc., a California corporation ("Tenant").

Recitals:

WHEREAS, pursuant to the terms of the Stock Purchase Agreement dated August 8, 1990 (the "SPA") by and between Landlord and Analog Devices, Inc. ("Analog"), Analog is acquiring all of the stock of Tenant; and

WHEREAS, the Premises have been conveyed to Landlord with the intention of leasing such Premises back to Tenant, upon the terms and conditions of this Lease; and

WHEREAS, Landlord has agreed in the SPA to retain all responsibilities and obligations to continue and complete a "VOC Remediation Program" (as defined in the SPA); and

WHEREAS, pursuant to the SPA, Landlord has retained responsibility and liability for certain "Excluded Liabilities" (as defined in the SPA) with respect to obligations for all of the costs, charges, obligations, penalties and liabilities arising out of or in connection with "Environmental Liabilities" (as defined in the SPA); and

WHEREAS, the parties are entering into this Lease Agreement, as contemplated by the SPA.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth herein and in the SPA and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Article 1. PREMISES

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, subject to all terms and conditions of this Lease, those certain premises commonly known as 1500 Space Park Drive, Santa Clara, California consisting of approximately 5 acres and including two buildings containing approximately 72,800 square feet of

rentable area, all building improvements and fixtures attached thereto and all easements appurtenant thereto (the "Premises").

A legal description of the Premises is attached hereto as Schedule A.

Article 1A. ENVIRONMENTAL MATTERS

1A.1 Landlord acknowledges its continuing obligations under the SPA for the Excluded Liabilities with respect to the Environmental Liabilities and the VOC Remediation Program (all as defined in the SPA and incorporated herein by reference). To the extent that an obligation of Tenant under this Lease is in conflict with or is inconsistent with an obligation of Landlord under the SPA with respect to the Excluded Liabilities, with respect to the Environmental Liabilities and the VOC Remediation Program, the provisions of the SPA shall prevail over the provisions of the Lease, and Landlord's obligation shall supersede and be substituted for the conflicting or inconsistent obligation of the Tenant.

1A.2 Landlord has disclosed to Tenant the presence of asbestos and asbestos-containing materials ("Asbestos") on and in the Premises. Landlord represents and warrants to Tenant that the condition of the Asbestos on the Premises is not in violation of any applicable law, rule or regulation as of the date of this Lease. To the extent that Tenant's use of the Premises causes the condition of the Asbestos to be in violation of any applicable legal requirement, Tenant shall be responsible for all costs, expenses and liabilities associated with the encapsulation or removal of the affected Asbestos. Except to the limited extent set forth in the immediately preceding sentence, Landlord shall be responsible for the costs and expenses incurred by Tenant at any time during the Term of the Lease, or thereafter, in connection with the removal or encapsulation of the Asbestos. Landlord acknowledges that Tenant may incur such costs and expenses as a result of any of the following:

(a) any action by any governmental authority requiring the encapsulation or removal of any Asbestos from the Premises;

(b) any action by any governmental authority in lieu of removal or encapsulation, requiring cessation or curtailment of Tenant's business activity in all or any portion of the Premises as a result of the presence of Asbestos.

1A.3 Tenant shall have the right to terminate this Lease by notice to Landlord upon the occurrence of any of the following:

(a) any action by any governmental authority requiring cessation or curtailment of Tenant's business activity in all or any portion of the

Premises as a result of any Environmental Liabilities or the presence of Asbestos on or in the Premises; or

(b) any breach by Landlord of any of its obligations under this Article 1A.

Tenant shall give Landlord notice of the occurrence of an event giving Tenant the right to terminate. If Landlord fails to cure such condition within thirty (30) days after such written notice, then Tenant may terminate this Lease by notice to Landlord; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such thirty (30) day period, Tenant shall not have the right to terminate if Landlord shall within such period commence such cure and thereafter diligently prosecute the same to completion.

1A.4 Landlord shall reimburse Tenant for any and all capital costs and expenses incurred by Tenant, in excess of \$407,500.00, in connection with the improvements to the holding tank, vault and pipeline for the wastewater fluoride treatment system serving the Premises ("the Facility") as may be necessary to bring the Facility into full compliance with any applicable laws and regulations in effect as of the date of this Lease; provided, that all such improvements are made within twelve (12) months after the date of this Lease. In the event Tenant is required to obtain any permits for the Facility, Landlord shall cooperate with Tenant in obtaining all such permits.

1A.5 Landlord represents and warrants to Tenant that, as of the date of this Lease, the ventilation ducts on or in the Premises are in compliance with applicable laws and regulations. In the event of any breach of the foregoing representation, Landlord shall pay for all costs and expenses incurred by Tenant in bringing such ducts into compliance with all such laws and regulations.

1A.6 Landlord and its agents and employees shall have the right to enter the Premises for purposes of complying with its obligations under the SPA and this Article 1A; provided, however, that Landlord shall at all times use its reasonable efforts to avoid or minimize any interference or disruption to Tenant's business as a result of such entry. Tenant agrees to Cooperate with and aid and assist Landlord as reasonably necessary in fulfilling Landlord's obligations under the SPA, as referenced in Section 1A.1, at no out-of-pocket cost or expense, or liability to Tenant.

Article 2. TERM

2.1 The Initial Term of this Lease, unless sooner terminated as provided herein, shall be five (5) years, commencing on August 8, 1990 (the "Commencement Date").

2.2 Provided there exists no uncured default by Tenant under this Lease, Tenant shall have the option to extend this Lease for three (3) successive terms of five (5) years each (the "Option Terms"). Tenant shall exercise its option for each Option Term, if at all, by written notice to be given to Landlord no later than nine months prior to expiration of the Initial Term or, if Tenant at the time of such extension occupies the Premises pursuant to the earlier exercise of an Option Term, the then-existing Option Term. All references in this Lease to the Term of this Lease shall mean, where appropriate, the Initial Term as extended by the exercise of the Option Terms. All of the terms and provisions of this Lease shall be applicable equally during any Option Term, except that effective on the commencement date of the second Option Term (the first day of the eleventh year of the Lease), the provisions of Article 1A and Section 28A shall be of no further force and effect. Tenant agrees, upon the request of Landlord, to reexecute the Lease without such provisions.

Article 3. RENT

3.1 Base Rent for the Initial Term shall be Nine Hundred and Twenty Thousand Dollars (\$920,000.00) per annum. Base Rent shall be payable in twelve (12) equal installments on the first day of each month in advance, except that the portion of Base Rent payable for the fraction of the month starting with the Commencement Date shall be paid on the Commencement Date, prorated on the basis of the actual number of days in said month. If the Initial or any Option Term hereof ends on a day other than the last day of a month, then the portion of the Base Rent for the month during which said expiration occurs shall be prorated on the basis of the actual number of days in said month.

3.2 Base Rent for each Option Term shall be the fair rental value of the Premises at the inception of such Option Term based on the terms and conditions of this Lease. The fair rental value for each Option Term shall be determined by the following process: At least six (6) months prior to the commencement of an Option Term, Tenant and Landlord shall each notify the other of the Base Rent it believes represents the fair rental value of the Premises. If at least four (4) months prior to the commencement of an Option Term, the parties have not agreed in writing on a Base Rent amount, Landlord and Tenant shall determine the fair rental value of the Premises by MAI appraisal conducted by Coldwell Banker, or mutually agreeable equivalent, based on the terms and conditions of this Lease without, however, taking into account any improvements or alterations to the Premises constructed at the expense, exclusive of insurance proceeds, of Tenant. The Base Rent for such Option Term shall be the amount previously proposed by either party that is closer in amount to the appraised rental value. In the event that neither Landlord's nor Tenant's estimate of the fair rental value is closer to the appraised rental value, the Base Rent shall be equal to the appraised rental value. Neither party shall disclose to the appraiser its estimate of the fair rental value. The fees and reimbursable expenses

of such appraiser shall be paid by the party whose estimate prevails. If for any reason the Base Rent has not been ascertained by the commencement of the Option Term, Tenant shall pay on account of Base Rent an amount equal to the average of the two proposed Base Rents until such time as the actual Base Rent shall have been established.

3.3 Throughout the term of this Lease, Tenant shall pay, as additional rent, all other amounts of money and charges required to be paid by Tenant under this Lease, whether or not such amounts of money or charges are designated "additional rent." As used in this Lease, "rent" shall mean and include all Base Rent and additional rent payable by Tenant in accordance with this Lease.

3.4 Tenant shall pay all Base Rent under Section 3.1 or Section 3.2 hereof to Landlord, monthly, in advance, on or before the first day of each and every calendar month during the term of this Lease and shall pay all additional rent promptly when due to the person entitled to receive the same. All rent payable to Landlord shall be paid without deduction or offset, except as otherwise provided herein, in lawful money of the United States of America at the address for Landlord set forth on the signature page hereof, or to such other person or at such other place as Landlord may from time to time designate in writing.

Article 4. NET LEASE

It is the intention of Landlord and Tenant that, except as otherwise provided herein, the Base Rent payable by Tenant to Landlord during the entire Term of this Lease shall be absolutely net of all costs and expenses incurred in connection with the management, operation, maintenance and repair of the Premises and every part thereof in accordance with this Lease. Subject to Landlord's obligations under Articles 1A, 11 and 14 hereof, Tenant shall manage, operate, maintain and repair the Premises and keep the Premises in compliance with all applicable laws and regulations in accordance with this Lease and shall pay all costs and expenses incurred in connection therewith before such costs or expenses become delinquent.

Article 5. TAXES

5.1 Tenant shall pay, prior to delinquency, as additional rent, all "Property Taxes" (as hereinafter defined) that accrue during or are allocable to the term of this Lease. Landlord shall promptly deliver to Tenant any statements or bills received by Landlord with respect to Property Taxes. Tenant shall receive the benefit of any discount for early payment of such Property Taxes, even if such taxes are not paid early, if Tenant is prevented from paying the taxes early due to Landlord's failure to deliver the bill to Tenant in a timely fashion. No later than ten (10) days after

Landlord delivers to Tenant a request for evidence of payment of any such amount, Tenant shall deliver to Landlord a receipt or other evidence satisfactory to Landlord that such bill or statement has been paid.

5.2 "Property Taxes" shall mean all taxes, assessments, excises, levies, fees and charges (and any tax, assessment, excise, levy, fee or charge levied wholly or partly in lieu thereof or as a substitute therefor or as an addition thereto) of every kind and description, general or special, ordinary or extraordinary, foreseen or unforeseen, secured or unsecured, whether or not now customary or within the contemplation of Landlord or Tenant, that are levied, assessed, charged, confirmed or imposed by any public or government authority on or against, or otherwise with respect to, (i) the Premises or any part thereof or any personal property used in connection with the Premises; (ii) any rent payable under this Lease, including, without limitation, any gross income tax or excise tax, levied by any public or government authority with respect to the receipt of any rent with respect to the Premises, but only to the extent no exemption, exclusion or abatement is available to Landlord, at no cost or expense to Landlord, with respect to such tax, or (iii) the possession, leasing, operation, management, maintenance, alternation, repair, use or occupancy by Tenant of the Premises, together with all interest, fines and other charges assessed for the late payment of any thereof. Property Taxes shall not include net income (measured by the income of Landlord from all sources or from sources other than solely rent under this Lease), franchise, documentary transfer, inheritance or capital stock taxes of Landlord, unless levied or assessed after the Commencement Date against Landlord in whole or in part expressly in lieu of or as a substitute for any Property Taxes.

5.3 Tenant shall have the right to contest any Property Taxes imposed against the Premises or any part thereof, provided (i) the same is done at Tenant's sole cost and expense, (ii) non-payment of such Property Tax will not subject the Premises or any part thereof to sale or other liability by reason of such non-payment, (iii) such contest shall not subject Landlord to the risk of any criminal or civil liability, (iv) Tenant shall provide a bond in form and substance as required by applicable law, and (v) Tenant pays the amount determined to be due promptly after the conclusion of such contest. Landlord agrees to execute and deliver to Tenant any and all documents reasonably required, and to cooperate with Tenant in every respect, in any such contest, but without any cost or expense to Landlord. Landlord agrees not to intervene, compromise or prejudice Tenant's tax abatement or contest case, provided that Tenant remains at all times in full compliance with this Article 5.

Article 6. SERVICES

Tenant shall, at Tenant's sole cost and expense, arrange and pay for all utilities required for the conduct of its business. Landlord shall not be in default hereunder or be liable for any damage or loss directly or indirectly resulting from, nor shall the

rent be abated or a constructive or other eviction be deemed to have occurred by reason of, the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, any failure to furnish or delay in furnishing any such services, whether such failure or delay is caused by accident or any condition beyond the control of Landlord or Tenant or by the making of repairs or improvements to the Premises, or any limitation, curtailment, rationing or restriction on use of any utility, whether such results from mandatory governmental restriction or voluntary compliance with governmental guidelines, unless, with respect to each of the foregoing conditions, it is due solely to the act or omission of Landlord or its agents or employees.

Article 7. USE OF PREMISES

Tenant shall use and occupy the Premises for the manufacturing of semiconductors and activities reasonably related or ancillary thereto and shall not use or occupy the Premises for any other purpose without the prior written consent of the Landlord, which approval shall not be unreasonably withheld or delayed. Tenant's use shall at all times be in compliance with the provisions of Article 15 hereof. Tenant shall not commit, or suffer to be committed, any act which (a) is in violation of any insurance requirement which is a condition to the validity of any insurance policy with respect to the Premises, (b) is in violation of the terms of any insurance policy, or (C) may cause a cancellation of any such insurance for the Premises.

Article 8. ACCEPTANCE OF PREMISES

Subject to the obligations of Landlord under Article 1A, the Premises shall be let in their present condition, i.e. "as is," and subject to any facts which would be revealed by a survey or physical inspection thereof, the state of title as it presently exists and all laws, ordinances and restrictions applicable thereto. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability or fitness of the Premises or the conduct of Tenant's business or for any other purpose. Notwithstanding the foregoing sentence, Landlord does represent that the use of the Premises by Landlord's immediate predecessor in title was in material conformance with all laws, ordinances and regulations relating to zoning and land use applicable to the Premises. The taking of possession or use of the Premises by Tenant for any purpose shall conclusively establish that the Premises were at such time in satisfactory condition and in conformity with the provisions of this Lease in all respects. Nothing contained in this Article 8 shall affect the commencement of the Term of this Lease or the obligation of Tenant to pay rent hereunder as provided in Article 3 hereof.

Article 9. ALTERATIONS

9.1 Tenant shall not make any alterations, additions or improvements in or to the Premises or any part thereof, or attach any fixtures or equipment thereto, without Landlord's prior written consent. Landlord's approval shall not be unreasonably withheld or delayed but may be subject to such conditions as Landlord may reasonably require. Tenant shall not be required to restore any alterations, additions or improvements made by Tenant during the Term, unless such restoration is required by Landlord at the time of such alteration, addition or improvement. In addition, Tenant may make such alterations, additions or improvements without Landlord's consent, but with notice to Landlord, if the total per-project cost of such alterations, additions or improvements is \$200,000.00 or less, and such alterations, additions or improvements will not affect the structural elements of the Premises, detract from the fair rental or market value of the Premises or increase the costs of the remediation contemplated in Article 1A hereof. Tenant will comply with all applicable codes, laws, ordinances, rules or regulations in connection with any alterations, additions or improvements. All alterations, additions or improvements in or to the Premises shall be made by Tenant at Tenant's sole cost and expense, shall be made expeditiously once work is begun and shall be completed in a good and workmanlike manner using first class materials. No part of the Premises shall be demolished unless Landlord has received an acceptable surety bond assuring reconstruction. Tenant shall, at its expense, provide builder's risk insurance naming Landlord as an insured during the period of any construction work.

9.2 All alterations, additions or improvements requiring Landlord's consent shall be as follows:

(a) Tenant shall submit to Landlord, for Landlord's written approval, complete plan and specifications for all work to be done by Tenant. Such plans and specifications shall be prepared by licensed architect(s) and engineer(s) approved by Landlord, such approval not to be unreasonably withheld or delayed, shall comply with all applicable codes, ordinances, rules and regulations, shall be in a form sufficient to secure the approval of all government authorities with jurisdiction over the Premises, and shall be otherwise satisfactory to Landlord in Landlord's reasonable discretion. Landlord's failure to respond to a request for plan approval within thirty (30) days shall be deemed approval of such plans.

(b) Tenant shall, through Tenant's licensed contractor, perform the work substantially in accordance with the plans and specifications approved in writing by Landlord. All material changes in the plans and specifications approved by Landlord shall be subject to Landlord's prior written approval. Any such change shall be based upon revised plans and specifications prepared by the licensed architect(s) and

engineer(s) approved by Landlord, such approval not to be unreasonably withheld or delayed.

(c) Tenant shall pay the entire cost of all work (including the cost of all utilities, permits, fees, taxes, and property and liability insurance premiums in connection therewith) required to make the alterations, additions or improvements. Under no circumstances shall Landlord be liable to Tenant for any damage, loss, cost or expense incurred by Tenant on account of any plans and specifications, contractors or subcontractors, design of any work, construction of any work, or delay in completion of any work.

9.3 All improvements, alterations, additions and fixtures (other than trade fixtures), whether temporary or permanent in character, made in or to the Premises by Tenant, shall remain the property of Tenant until the expiration or earlier termination of this Lease, whereupon they shall become part of the Premises and Landlord's property. All movable furniture, equipment, trade fixtures, computers, office machines and other personal property of Tenant shall remain the property of Tenant. Upon the expiration or earlier termination of this Lease, Tenant shall, at Tenant's expense, remove all such movable furniture, equipment, trade fixtures, computers, office machines and other personal property from the Premises and repair all damage caused by such removal; provided, however, that Tenant shall not be obligated to make any repairs to wall or floor coverings or otherwise make repairs if Landlord intends to otherwise demolish or renovate the Premises so that for all practical purposes, the repairs would be in vain. This Section 9.3 shall survive the expiration or earlier termination of this Lease.

Article 10. LIENS

Tenant shall promptly discharge or bond off any liens and encumbrances whatsoever, including mechanics' liens, arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant. Tenant shall indemnify and hold harmless Landlord from and against any such lien or claim or action thereon, and reimburse Landlord promptly upon demand therefor by Landlord for costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such claim or actions.

Article 11. MAINTENANCE AND REPAIR

11.1 Landlord shall, throughout the Term, at Landlord's sole cost and expense (a) make all structural repairs to the Premises including, without limitation, repairs to the roof, the exterior and load bearing walls, the structural columns and the foundation, and (b) to the extent required within six (6) months from the date of this

Lease, make all capital replacements (not including overhauls or upgrades) to the plumbing, mechanical, electrical and HVAC systems and equipment (specifically excluding filters and scrubbers) existing in the Premises as of the date of this Lease, but only to the extent the cost of each such capital replacement exceeds \$10,000. Landlord shall not be responsible for the matters listed in (a) or (b) above to the extent any such structural repair or capital replacement is made necessary by any act or omission of Tenant, its agents or employees.

11.2 Except as provided in Section 11.1, Tenant shall, at Tenant's sole cost and expense, and at all times, keep and maintain the Premises and every part thereof, in good working order and condition and shall make all normal and ordinary repairs and replacements which may be necessary to keep the Premises in good working order and condition, subject to ordinary wear and tear. Tenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Tenant shall at all times maintain the current slope, grade and drainage of the land included in the Premises. Landlord and Tenant expressly waive the benefit of Section 1942 of the California Civil Code, as the same may be amended in the future, or any statutory provision enacted in lieu thereof.

Article 12. ENTRY BY LANDLORD

Landlord shall have the right to enter the Premises at any time during an emergency and at reasonable times upon prior notice to (i) inspect the Premises, (ii) exhibit the Premises to prospective purchasers or lenders, or, within 6 months prior to the expiration of the Term, prospective tenants, (iii) determine whether Tenant is performing all of Tenant's obligations under any portion of this Lease, (iv) post notices of nonresponsibility, (v) perform any inspection or action requested or ordered by any governmental authority and (vi) make any repairs to the Premises which, following requisite notice hereunder, Tenant has failed to perform. Except to the extent caused by the gross negligence or wilful misconduct of Landlord or Landlord's agents or employees, Tenant waives all claims for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry; provided that Landlord shall have used reasonable efforts to avoid or minimize any disturbance or disruption to Tenant's business.

Article 13. LIMITATIONS ON LANDLORD'S LIABILITY; INDEMNITY; INSURANCE

13.1 Landlord shall not be liable to Tenant under this Lease, nor shall Tenant be entitled to terminate this Lease or to any abatement of rent, for any damage to or loss or theft of any property or for any bodily or personal injury, illness or death of

any person in, on or about the Premises or for any loss to Tenant's business arising at any time and from any cause whatsoever (except to the extent caused by the gross negligence or wilful misconduct of Landlord or its agents or employees). Tenant waives all claims against Landlord arising from any liability described in this Section 13.1 (except to the extent caused by the gross negligence or wilful misconduct of Landlord or its agents or employees). This Section 13.1 shall not affect Landlord's obligations under Article 1A.

13.2 Subject to Article 1A and Section 11.1 hereof, Tenant shall indemnify, hold harmless and defend Landlord, its officers, directors, stockholders, partners, employees, agents and representatives and any other party acting on behalf of Landlord against all claims, demands, causes of action, liabilities, damages, losses, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any use or occupancy of the Premises, or any condition of the Premises, or any default in the performance of Tenant's obligations, or any damage to any property (including property of employees and invitees of Tenant) or any bodily or personal injury, illness or death of any person (including employees and invitees of Tenant) occurring in, on or about the Premises or any part thereof arising at any time and from any cause whatsoever (except to the extent caused by the negligence or misconduct of Landlord or its agents or employees) or occurring outside the Premises when such damage, bodily or personal injury, illness or death is caused by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees. This Section 13.2 shall survive the expiration or earlier termination of this Lease with respect to any damage, bodily or personal injury, illness or death occurring prior to such termination.

13.3 Tenant shall at all times, at its sole cost and expense, obtain, or cause Analog to obtain, pay for and maintain in full force and effect such insurance policy or policies as Landlord may from time to time reasonably request, including the following:

(a) "All-Risk" property (including boiler and machinery) insurance, on a replacement cost basis covering the Premises in an amount no less than the full replacement cost thereof, excluding insurance coverage for the peril of earthquake, including the costs of demolition and increased cost of construction and contingent liability arising out of the need to comply with any building code, law or regulation, to the extent the loss is due to direct physical loss to the Premises from an insured peril. Loss covered by such insurance shall be adjusted by Tenant subject to approval of Landlord, such approval not to be unreasonably withheld or delayed, and the proceeds of such insurance shall be payable solely to Landlord and Tenant or any Lender designated as mortgagee or loss payee. Landlord shall be designated as named insured in such policies and any Lender designated by Landlord shall be included as mortgagee or loss payee relative to all real property. All risk property policies may provide for reasonable deductibles (which at the inception of this Lease

is \$100,000). To the extent Landlord maintains insurance coverage against the peril of earthquake with respect to the Premises, Tenant agrees to reimburse Landlord for the annual premium, up to a maximum of \$13,000.00 per year.

(b) Commercial general liability in respect to occurrences arising out of or relating to the operation, maintenance and use of the Premises, and umbrella liability insurance covering Tenant and Landlord as named insureds against claims arising out of liability for bodily injury and death and personal injury and advertising injury and property damage occurring in and about the Premises and otherwise resulting from any acts and operations of Tenant and Landlord with limits not less than the existing or future limits of such insurance generally purchased by Tenant with respect to any other premises or operations of Tenant but in no event less than a total combined single limit of \$10,000,000 per occurrence and \$50,000,000 annual general aggregate. Such insurance may provide for a reasonable deductible (which at the inception of this Lease is \$100,000). If commercially and reasonably available to Tenant, such policies shall be in occurrence form and cross liability and severability of interests shall apply (with the exception of limits of liability)

(c) Workers' compensation and employer's liability insurance in the state in which the Premises are located. The total limits of the employer's liability coverage shall not be less than the amounts required by applicable law.

(d) Such other appropriate endorsements or extensions of coverage as would be deemed reasonable for a prudent landlord to require with respect to other similar properties, provided they are available at a commercially reasonable cost.

(e) In the event that any deductible or otherwise self-insured retention amounts are applicable with respect to any loss or claim under any of the insurance described in this Article 13 or otherwise, all such amounts shall be entirely paid by Tenant.

13.4 All insurance required under this Article 13 and all renewals thereof shall be issued by good and responsible companies rated not less than "A; 25 million policy holder surplus" by Best's Insurance Guide and qualified to do and doing business in California. Each policy shall expressly provide that the policy shall not be cancelled or altered without thirty (30) days' prior written notice to Landlord and any designated Lender; provided that Tenant shall use its reasonable efforts to have each policy expressly provide that it shall not be cancelled or altered without sixty (60) days' prior written notice to Landlord and any designated Lender. All insurance under Articles 13.3(a) and 13.3(b) shall be primary and noncontributing with any insurance which may be carried by Landlord. The term "Lender" means any institutional holder of a first or second mortgage lien encumbering the Premises or any part thereof.

13.5 The insurance required by this Lease, at the option of Tenant, may be effected by blanket policies, umbrella policies or both issued to Tenant covering the Premises and other properties owned or leased by Tenant, provided that the policies otherwise comply with the provisions of this Lease and allocate to the Premises the specified coverage. Tenant shall furnish to Landlord or any Lender of Landlord certificates of insurers, evidencing the existence of such policies and Tenant shall also provide copies certified by Tenant of such policies in which Landlord has an insurable interest as soon as such policies are received from the insurance companies upon Landlord's request with schedules thereto attached showing the amount of insurance afforded by such policies applicable to the Premises. If Tenant fails to insure or fails to furnish to Landlord upon notice to do so any such certificate thereof as required, Landlord shall have the right to effect such insurance for the benefit of Tenant or Landlord or any Lender or any or all of them, and all premiums paid by Landlord shall be payable by Tenant as additional rent on demand.

13.6 Landlord covenants that any person entering the Premises to perform physical work or activity on the Premises on behalf of Landlord shall be covered by comprehensive general liability insurance with a combined single limit of not less than \$1,000,000, and by workmen's compensation insurance, if and to the extent required by law. Landlord shall use reasonable efforts to assure that all other persons entering on the Premises on behalf of Landlord are similarly insured.

Article 14. HAZARDOUS SUBSTANCES

14.1 Tenant shall not engage in any activity in, on or about the Premises involving the generation, transportation, use, storage, spill, release or disposal of Hazardous Substances without the express prior written consent of Landlord and compliance in a timely manner (at Tenant's sole cost and expense) with all Applicable Law (as defined in Article 15). "Hazardous Substances" as used in this Lease shall mean any substance or material, or mixture or waste containing such substance or material, regardless of quantity or concentration, which is or may be (i) subject to regulation under state, federal or local law, (ii) a basis for liability of Landlord to any governmental agency or third party under any applicable statute, regulation or common-law theory. Notwithstanding the foregoing, Tenant may, without Landlord's prior consent, but in compliance with all Applicable Law, generate, transport, use, store or dispose of Hazardous Substances on the Premises as is necessary to conduct business, as permitted by Article 7, on the Premises.

14.2 [Intentionally omitted.]

14.3 As soon as practicable after the date hereof, Landlord shall prepare and deliver to Tenant a list of certain Hazardous Substances, which shall be attached to this Lease as SCHEDULE B. Tenant shall, following receipt of such SCHEDULE B, during

the Term of this Lease, notify Landlord of (a) any Hazardous Substances not identified on SCHEDULE B which are located, stored or used by Tenant on the Premises, and (b) any material increases in the quantity of any Hazardous Substance listed on SCHEDULE B. Tenant shall use reasonable efforts to notify Landlord prior to ordering or purchasing any Hazardous Substance not listed on SCHEDULE B. In addition, Tenant shall notify Landlord of any release of a Hazardous Substance at the Premises, if and when Tenant determines that such release is required to be reported to any local, state or federal governmental authority.

14.4 Subject to Article 1A hereof, Tenant shall indemnify, protect, defend and hold Landlord, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Tenant or under Tenant's control. Tenant's obligations under this Article 14 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration, and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Landlord in writing at the time of such agreement.

14.5 Subject to Article 1A, if a release of a Hazardous Substance occurs for which Tenant is responsible ("Hazardous Substance Condition"), Tenant shall make the investigation and remediation thereof required by Applicable Law, and this Lease shall continue in full force and effect, but subject to Landlord's rights under Articles 21 and 22 hereof. If after sixty (60) days written notice to Tenant from Landlord of Tenant's obligations under this Section Tenant has failed to begin investigation and remediation of such Hazardous Substance Condition, Landlord may, upon thirty (30) days' written notice to Tenant, terminate this Lease unless Tenant, in such thirty (30) days notice period, begins investigation and remediation of such Hazardous Substance Condition and agrees in writing to pay for the investigation and remediation of such Hazardous Substance Condition at Tenant's sole expense and without reimbursement from Landlord.

Article 15. TENANT'S COMPLIANCE WITH LAW

15.1 Except as otherwise provided in this Lease, Tenant shall, at Tenant's sole cost and expense, fully, diligently and in a timely manner, comply in all respects with all "Applicable Law," which term is used in this Lease to include all laws, rules,

regulations, ordinances, and directives or any state, federal or local governmental authority relating in any manner to the Premises. Tenant shall, within five (5) days after receipt of Landlord's written request, provide Landlord with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with any Applicable Law specified by Landlord, and shall immediately upon receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Tenant or the Premises to comply with any Applicable Law.

15.2 Notwithstanding Section 15.1, Tenant shall have the right to contest the validity or applicability to Tenant or to the Premises of any Applicable Law, provided (i) the same is done at Tenant's sole cost and expense, (ii) non-compliance with such Applicable Law will not subject the Premises or any part thereof to sale or other liability by reason of such non-compliance, (iii) such contest shall not subject Landlord to the risk of any criminal or civil liability, (iv) Tenant shall provide security in form and amount reasonably requested by Landlord, taking into account the factors listed in subclauses (i), (ii) and (iii) above, and (v) Tenant complies with such Applicable Law promptly after the conclusion of such contest, if determined adversely to Tenant.

Article 16. WAIVER OF SUBROGATION

Any insurance carried by either party with respect to the Premises or property therein or occurrences thereon shall, if it can be so written without additional premium or with an additional premium which the other party agrees to pay, include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of injury or loss. Each party, notwithstanding any provisions of this Lease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by such insurance to the extent of the indemnification received thereunder.

Article 17. ASSIGNMENT AND SUBLETTING

17.1 Except to an entity controlling, controlled by or under common control with Tenant (an "Affiliate"), or to a successor to Tenant by way of merger, consolidation or the sale of all or substantially all of Tenant's assets, Tenant shall not either voluntarily or by operation of law assign, encumber, pledge or otherwise transfer or hypothecate all or any part of Tenant's leasehold estate hereunder, or permit the Premises to be occupied by anyone other than Tenant or an Affiliate, or Tenant's or such Affiliate's employees, or sublet the Premises or any portion thereof,

without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; provided, however, that no one but Tenant, an Affiliate, or a successor to Tenant by way of merger, consolidation or the sale of all or substantially all of Tenant's assets, may exercise any Option to extend the Term of this Lease, so that the occupancy of any sublessee shall be limited to the balance remaining in the term during which such sublessee's occupancy begins. No collection or acceptance of rent by Landlord from any person shall be deemed a waiver of any provision of this Article 17, the acceptance of any assignee or subtenant as the tenant hereunder or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing.

17.2 If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord (a) the name of the proposed subtenant or assignee; (b) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (c) the terms and provisions of the proposed sublease or assignment, and (d) such financial information as Landlord may reasonably request concerning the proposed subtenant or assignee.

17.3 At any time within fifteen (15) days after Landlord's receipt of the information specified in Section 17.2 hereof, Landlord may by written notice to Tenant elect to (a) consent to the proposed subletting or assignment, in which event Tenant may within ninety (90) days thereafter, enter into a valid assignment or sublease of the Premises or portion thereof with such proposed assignee or sublessee, upon the terms and conditions set forth in the information furnished by Tenant to Landlord pursuant to Section 17.2 hereof, or (b) refuse to give its consent, specifying in reasonable detail the reason(s) therefor.

17.4 No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether accruing before or after such consent, assignment or subletting. The consent by Landlord to any assignment or subletting shall not relieve Tenant or any successor, assignee or subtenant of Tenant, from the obligation to obtain Landlord's express written consent to any other assignment or subletting. Any assignment or subletting which is not in compliance with this Article 17 shall be void and, at the option of Landlord, constitute a default by Tenant hereunder.

17.5 Each assignee, other than Landlord, shall assume all obligations of Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent, and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed for the term of this Lease; provided, however, that the assignee shall be liable to Landlord for rent only in the amount set forth in the assignment or transfer. No assignment shall be binding on Landlord unless such assignee or Tenant shall deliver to

Landlord a counterpart of such assignment and an instrument in recordable form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord, consistent with the requirements of this Section 17.5, but the failure or refusal of the assignee to execute such instrument of assumption shall not release or discharge the assignee from its liability as set forth above.

17.6 The voluntary or other surrender of this Lease by Tenant or a mutual cancellation hereof shall not work a merger, and shall at the option of Landlord, terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of such subleases or subtenancies.

17.7 Tenant shall reimburse Landlord for Landlord's reasonable costs, including, without limitation, its attorneys' fees, incurred in conjunction with the processing and documentation of any assignment, subletting, transfer, change of ownership or hypothecation of this Lease or Tenant's interest in and to the Premises, or Tenant's request for Landlord's consent to any thereof.

Article 18. TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing solely under this Lease from and after the date of such transfer.

Article 19. DAMAGE OR DESTRUCTION

19.1 If the whole of the Premises or so much thereof as to render the balance unusable by Tenant shall be destroyed by casualty during the term of this Lease, either party may terminate this Lease upon fifteen (15) days' written notice to the other party; provided, however, that all proceeds from insurance and any deductible or self-insured retention amounts are paid over to Landlord, or the Lender, if so required. If either party shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

19.2 If the Lease is not terminated pursuant to Section 19.1, and if the proceeds of insurance are made available to Tenant, Tenant shall proceed to restore the Premises to substantially the condition existing prior to such casualty, and this Lease shall continue in full force and effect. Tenant shall not be entitled to any reduction in or abatement of rent by reason of any such damage.

19.3 No damage, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises.

19.4 With respect to any damage which Landlord is obligated to repair or elects to repair, Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases its rights under the provisions of Sections 1932(2) and 1933(4) of the California Civil Code.

Article 20. EMINENT DOMAIN

20.1 If the whole of the Premises or so much thereof as to render the balance unusable by Tenant shall be taken under power of eminent domain, this Lease shall automatically terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. No award for any such partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for its relocation expenses, the taking of personal property and fixtures belonging to Tenant, the interruption of or damage to Tenant's business and/or for Tenant's unamortized cost of leasehold improvements.

20.2 In the event of a partial taking which does not result in a termination of this Lease, rent shall be abated in proportion to that part of the Premises made unusable by such partial taking.

20.3 No temporary taking (which shall mean a taking for a period of six (6) months or less), of the Premises and/or of Tenant's rights therein or under this Lease shall terminate this Lease or give Tenant any right to any abatement of rent hereunder. Any award made to Tenant by reason of any such temporary taking shall belong entirely to Tenant and Landlord shall not be entitled to share therein.

Article 21. DEFAULTS

The occurrence of any one or more of the following shall constitute a default by Tenant:

(i) The failure by Tenant to pay the Base Rent when due where such failure continues for more than five (5) days after written notice to Tenant; provided,

that such notice shall be in lieu of and not in addition to any notice required under Section 1161 of the California Code of Civil Procedure;

(ii) The abandonment, as a matter of law, of the Premises by Tenant;

(iii) The failure by Tenant to observe or perform any other provision of this lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion; and provided further, that such notice shall be in lieu of and not in addition to any notice required under Section 1161 of the California Code of Civil Procedure;

(iv) If Tenant becomes insolvent as defined in the Federal Bankruptcy Code, admits in writing its insolvency or its present or prospective inability to pay its debts as they become due, is unable to or does not pay all or any material portion (in number or dollar amount) of its debts as they become due, permits or suffers a judgment to exist against it which affects Tenant's ability to conduct its business in the ordinary course (unless enforcement thereof is stayed pending appeal), makes an assignment for the benefit of creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts, or commences any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of debtors;

(v) If Tenant fails to obtain the dismissal, within sixty (60) days after the commencement thereof, of any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of debtors, instituted against it by one or more third parties, or fails actively to oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or its desire to seek liquidation, reorganization or adjustment of any of its debts; or

(vi) If any receiver, trustee or custodian is appointed to take possession of all or any substantial portion of the assets of Tenant, or any committee of Tenant's creditors, or any class thereof, is formed for the purpose of monitoring or investigating the financial affairs of Tenant or enforcing such creditors' rights.

Article 22. REMEDIES

In the event of any such default, then, in addition to any other remedies available to Landlord at law or in equity:

22.1 Landlord shall have the right to terminate this Lease and all rights of Tenant hereunder by giving Tenant written notice of such election to terminate, in which event Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(ii) the worth at the time of award of any amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss which Tenant proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss which Tenant proves could be reasonably avoided; plus

(iv) any other amount, including attorney's fees and administrative expenses, necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

For purposes of this Section 22.1, rent, other than the Base Rent, shall be computed on the basis of the average monthly amount thereof accruing during the 24-month period immediately prior to default, except that if it becomes necessary to compute such rental before such 24-month period has occurred, then on the basis of the average monthly amount during such shorter period. As used in subparagraphs (i) and (ii) above, the "worth at the time of award" shall be computed by allowing interest at the rate specified in Section 22.5 hereof. For purposes of subsection (iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

22.2 Landlord shall have the right, with or without terminating this Lease, to re-enter the Premises, remove all persons and property from the Premises pursuant to legal proceedings or any notice provided by law, and without terminating this Lease, either recover all rent as it becomes due or relet the Premises or any part

thereof. Landlord shall use reasonable efforts to relet the Premises. The rentals actually received by Landlord from such reletting shall be applied first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the costs of such reletting; third, to the costs of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder, together with interest thereon and late charges attributable thereto; and the balance, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should any reletting result in the actual payment of rentals at less than the rent payable during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord.

22.3 No re-entry or taking possession of the Premises by Landlord pursuant to this Article 22 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord, Landlord may at any time after such reletting elect to terminate this Lease.

22.4 Notwithstanding anything to the contrary contained elsewhere herein, if Tenant shall fail to make payment of any obligation under this Lease within five (5) days after the same becomes due and payable, Tenant acknowledges that Landlord will incur extra administrative expenses (i.e., in addition to expenses incident to receipt of timely payment) in connection with the delinquency in payment. Because the actual damages suffered by Landlord in incurring such extra administrative expenses would be impracticable or extremely difficult to ascertain, it is agreed that three percent (3%) of the amount of the delinquent payment shall be the amount of damages to which Landlord is entitled, upon such default, in compensation for such extra administrative expenses. Therefore, Tenant shall, in such event, without further notice, pay to Landlord as Landlord's sole monetary recovery to cover such extra administrative expenses, liquidated damages in the amount of three percent (3%) of the amount of such delinquent payments. In addition to the foregoing, Tenant acknowledges that Landlord may incur actual damages, in the event of delinquency in payment, in the amount of the actual cost of funds borrowed by Landlord to replace the amount of the delinquent payment hereunder. Tenant agrees to pay such actual damages, to the extent actually incurred by Landlord, to Landlord upon demand. Nothing contained in this Section 22.4 shall be construed as an express or implied agreement by Landlord to forbear the collection of any delinquent payment or be construed as in any way giving Tenant the right, express or implied, to fail to make timely payment hereunder. The right of Landlord to receive payment of such liquidated and actual damages, and receipt thereof, are without prejudice to the right of Landlord to collect such delinquent payments and any other amounts provided to be paid hereunder, or to declare a default hereunder.

22.5 Any amount due from Tenant to Landlord which is not paid when due shall bear interest at the lesser of twelve (12%) per annum or the maximum rate or rates from time to time permitted by applicable federal or state law from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the failure to make such payment when due.

22.6 If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of or under this Lease, including any suit by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees in such suit. Such attorneys' fees shall be deemed to have accrued as of the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

Article 23. SURRENDER OF PREMISES; REMOVAL OF PROPERTY

23.1 The voluntary or other surrender of this Lease by Tenant, or a mutual termination thereof, shall not work a merger, and shall at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies affecting the Premises.

23.2 Upon the expiration of the term of this Lease, or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order and condition as the same are now or hereafter may be improved by Landlord or Tenant, ordinary wear and tear and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions and other articles of personal property owned by Tenant and all similar articles of any other persons claiming under Tenant unless Landlord exercises its option to have any subleases or subtenancies assigned to it, and Tenant shall repair all damage to the Premises resulting from such removal.

23.3 Whenever Landlord shall re-enter the Premises pursuant to Article 22 hereof or as otherwise provided in this Lease, any property of Tenant not removed by Tenant upon the expiration of the term of this Lease (or within forty-eight (48) hours after a termination by reason of Tenant's default) shall be considered abandoned and Landlord may remove any or all of such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, and if Tenant shall fail to pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice to or demand upon Tenant for the payment of all or any

part of such charges or the removal of any such property. Landlord shall apply the proceeds of such sale first, to the cost and expense of such sale, including, without limitation, attorneys' fees incurred in connection therewith; second, to the payment of the cost of or charges for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord from Tenant under any of the terms hereof; and fourth, the balance, if any, to Tenant.

23.4 All fixtures, alterations, additions, improvements and/or appurtenances attached or built into the Premises prior to or during the Term hereof, whether by Landlord at its expense or at the expense of Tenant or both, shall be and remain part of the Premises and shall not be removed by Tenant at the end of the Term hereof unless otherwise expressly provided for in this Lease. Any items installed by Tenant without Landlord's consent, as permitted under Section 9.1, shall be removed by Tenant at the end of the Term, if so required by Landlord, unless Landlord has given a contrary indication in writing to Tenant at the time of the installation of such items. Such fixtures, equipment, alterations, additions, improvements and/or appurtenances shall include, without limitation, floor coverings, drapes, paneling, molding, doors, plumbing systems, electrical systems, lighting systems, silencing equipment, communication systems, all fixtures and outlets for the systems mentioned above and for all telephone, radio, telegraph and television purposes, and any special flooring or ceiling installations.

Article 24. WAIVER OF DAMAGES FOR REENTRY

Tenant hereby waives all claims for damages that may be caused by Landlord's re-entering and taking possession of the Premises or removing and storing the property of Tenant as herein provided, and Tenant shall indemnify and hold harmless Landlord therefrom. No such re-entry shall be considered or construed to be a forcible entry.

Article 25. HOLDING OVER

25.1 If Tenant holds over after the term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month to month only, and not a renewal hereof or an extension for any further term, and in such case base rent shall be payable at the rate of one hundred fifty percent (150%) of the rent then payable pursuant to Article 3 hereof, and such month to month tenancy shall be subject to every other term, covenant and agreement contained herein. Nothing contained in this Article 25 shall be construed as a consent by Landlord to any holding over by Tenant and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in Article 23 hereof upon the expiration of the term of this Lease or other termination of this Lease.

25.2 Tenant acknowledges that Landlord will use reasonable efforts to re-let the Premises on reasonable terms and conditions as soon as practicable following the expiration or sooner termination of the term of this Lease. In that context, Landlord may well enter into agreements with third parties providing for the occupancy of the Premises, or a portion thereof, upon such expiration or sooner termination or as soon thereafter as Landlord has estimated that it will be able to refurbish the Premises, and that the failure by Tenant to surrender possession of the Premises upon such expiration or sooner termination may render Landlord unable to fulfill its obligations to such third party. Accordingly, if Tenant fails to surrender possession of the Premises upon such expiration or sooner termination, Tenant shall indemnify and hold Landlord harmless from and against any and all costs, losses, claims or liabilities, including, without limitation, attorneys' fees, arising under any claim made by any such third party based, in whole or in part, on Landlord's failure to deliver possession of the Premises, or any part thereof, to such third party.

Article 26. SUBORDINATION

26.1 This Lease is and at all times shall be subject and subordinate to any ground or underlying leases, mortgages, trust deeds or like encumbrances, which may now or hereafter affect the real property of which the Premises are a part, and to all renewals, modifications, consolidations, replacements and extensions of any such lease, mortgage, trust deed or like encumbrance. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying lessor or by any mortgagee or beneficiary, affecting any lease or the real property of which the Premises are a part. In confirmation of such subordination, Tenant shall execute promptly any certificate that Landlord may request. The subordination of this Lease to any such lease, mortgage, trust deed or like encumbrance shall, however, be subject to the following:

(i) In the event of the sale of the Premises upon foreclosure or upon the exercise of a power of sale, or by transfer in lieu of foreclosure or such exercise, Tenant will upon written request attorn to the purchaser and recognize the purchaser, or transferee, as the Landlord under this Lease.

(ii) Notwithstanding such subordination, Tenant's right to quiet possession of the Premises and all other Tenant's rights under this Lease, shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant unless this Lease is terminated pursuant to specific provisions relating thereto contained herein.

26.2 Notwithstanding anything to the contrary herein, Landlord agrees, at the request of Tenant, to use its reasonable efforts to obtain from Security Pacific National Bank a recognition and non-disturbance agreement in form and substance

reasonably satisfactory to Tenant, and Landlord shall cooperate with Tenant as may be necessary to secure such agreement.

Article 27. ESTOPPEL CERTIFICATES

Tenant shall at any time and from time to time upon not less than twenty (20) days' prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the dates to which the basic rent, additional rent and other charges have been paid in advance, if any, stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge, and responding to such other questions or statements of fact as Landlord or any ground or underlying lessor or any mortgagee or beneficiary shall reasonably request. Tenant's failure to deliver such statement within such time shall constitute an acknowledgment by Tenant that this Lease is unmodified and in full force and effect except as may be represented to the contrary by Landlord, no more than one monthly installment of Base Rent has been paid in advance, Landlord is not in default in the performance of any covenant, agreement or condition contained in this Lease and the other matters set forth in such request, if any, are true and correct. Any such statement delivered pursuant to this Article 27 may be relied upon by any prospective purchaser of the fee of the Premises or any mortgagee or other like encumbrancer thereof or any assignee of any such encumbrancer upon the Premises. Landlord shall reimburse Tenant for Tenant's reasonable costs, including, without limitation, its attorneys' fees, incurred in conjunction with the processing and documentation of any estoppel certificate.

Article 28. RIGHT OF LANDLORD TO PERFORM

If Tenant shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue beyond any applicable grace period set forth in Article 21 or 22 hereof, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligation of Tenant, make any such payment or perform any such other act. Tenant shall, promptly and upon demand therefor by Landlord, reimburse Landlord for all sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate of twelve (12%) percent from the date of such payment by Landlord, and Landlord shall have the same rights and remedies in the event of the failure by Tenant to pay such amounts as Landlord would have in the event of a default by Tenant in the payment of rent.

Article 28A TENANT'S RIGHT TO PERFORM

If Landlord shall at any time default in the performance of any obligation of Landlord (a) under this Lease with respect to any matter under Article 1A hereof, or (b) under the SPA, with respect to the Excluded Liabilities with respect to the Environmental Liabilities and the VOC Remediation Program, as they apply to the adjoining premises at 1525 Comstock Road, leased by Landlord to Tenant under the Lease of even date herewith, then Tenant shall have the right (after Landlord's failure to cure such default within 60 days after written notice from Tenant to Landlord) to perform such obligation, notwithstanding the fact that no specific provision for such substituted performance by Tenant is made in this Lease with respect to such default ("Tenant's Self-Help Remedy"). Any sums paid by Tenant (together with interest at the rate of twelve (12%) percent from the date of payment, and all necessary incidental costs and expenses in connection with the performance of any such obligation by Tenant, shall be payable to Tenant immediately on demand, and if not so paid may be offset by Tenant from the next succeeding installment(s) of Base Rent due under this Lease, until Tenant shall have recouped such amount in full, with interest as provided herein; provided, that in no event shall Tenant set off against the Base Rent hereunder an amount in excess of \$2,000,000.00, in the aggregate, during the Term of this Lease. Tenant may exercise the foregoing rights without waiving any other of its rights or releasing Landlord from any of its obligations under this Lease. In addition to the other remedies provided in this Lease, Tenant shall to the full extent provided by law, be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease by Landlord, or to a decree compelling specific performance by Landlord of any such covenants conditions or provisions. Nothing herein shall be construed to permit Tenant to obtain a recovery with respect to any matter as to which Tenant has previously obtained a recovery by other means. The continuance of possession by Tenant following any such default by Landlord shall not be deemed a waiver by Tenant of any rights under this Lease; specifically, Tenant reserves the right to terminate this Lease by notice to Landlord delivered at any time when Tenant is exercising Tenant's Self-Help Remedy hereunder.

Article 29. NOTICES

All notices and consents which Landlord or Tenant may be required, or may desire, to serve or confer on the other must be in writing and may be served, as an alternative to personal service, by mailing the same by either (a) registered or certified mail, postage prepaid, return receipt requested, or (b) Federal Express or similar overnight courier delivery service, addressed as follows:

If to Landlord: Bourns, Inc.
1200 Columbia Avenue
Riverside, California 92507
Attn: Larry L. White,
Executive Vice President

With a copy to: Bourns, Inc.
1200 Columbia Avenue
Riverside, California 92507
Attn: William Becker, Esq.,
Chief Legal Counsel

Submission of this Lease by either party shall not bind either party in any manner and no lease or other obligation on the part of either party shall arise, until this Lease is executed and delivered by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

Landlord: Bourns, Inc. Tenant: Precision Monolithics, Inc.

By: Larry L. White Title: Exec. Vice President By: Alan King Title: President

By: Title By: Title

Address: Address:

SCHEDULE A

Description of Premises

All that certain real property in the City of Santa Clara, County of Santa Clara, State of California, described as follows:

All of Parcel "A" as shown on that certain map entitled, "Parcel Map Lands of Precision Monolithics," which map was filed for record in the office of the recorder of the County of Santa Clara, State of California on June 10, 1975 in Book 357 of Maps, Page 4.

[CONFORMED COPY]

AMENDED AND RESTATED CREDIT AGREEMENT

AMENDED AND RESTATED CREDIT AGREEMENT dated as of October 25, 1996 among ANALOG DEVICES, INC. (with its successors, the "Company") and the BANKS listed on the signature pages hereof (with their successors, the "Banks").

W I T N E S S E T H:

WHEREAS, the parties hereto and Morgan Guaranty Trust Company of New York, as Agent (with its successors in such capacity, the "Agent") have heretofore entered into a Credit Agreement dated as of March 12, 1993 (as amended by Amendment No. 1 thereto dated as of May 18, 1993, and Amendment No. 2 thereto dated as of September 8, 1994, the "Agreement"); and

WHEREAS, the parties hereto desire to amend such Agreement as set forth herein and to restate such Agreement in its entirety to read as set forth in the Agreement with the amendments specified below;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Agreement has the meaning assigned to such term in the Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" or to the Agreement and each other similar reference contained in the Agreement or in any Exhibit thereto shall from and after the date hereof refer to the Agreement as amended and restated hereby.

SECTION 2. Amendment of Section 1.01. Section 1.01 of the Agreement is amended:

(a) by replacing the date "September 8, 1998" in the definition of "Termination Date" with the date "October 25, 2000";

(b) by deleting the definition of "Commitment Fee Rate"; and

(c) by replacing the definition of "Facility Fee Rate" with the following:

"Facility Fee Rate" means (i) .085 of 1% per annum for any date on which Level I Status exists, (ii) .125 of 1% per annum for any date on which Level II Status exists, (iii) .1875 of 1% per annum for any date on which Level III Status exists, (iv) .25 of 1% per annum for any date on which Level IV Status exists and (v) .375 of 1% per annum for any date on which Level V Status exists.

SECTION 3. Amendment of Section 2.07. Section 2.07 of the Agreement is amended:

(a) by replacing the definition of "CD Margin" in subsection (b) with the following:

"CD Margin" means (i) .365 of 1% per annum for any date on which Level I Status exists, (ii) .425 of 1% per annum for any date on which Level II Status exists, (iii) .5375 of 1% per annum for any date on which Level III Status exists, (iv) .75 of 1% per annum for any date on which Level IV Status exists and (v) 1% per annum for any date on which Level V Status exists.

and (b) by replacing the definition of "Euro-Dollar Margin" in subsection (c) with the following:

"Euro-Dollar Margin" means (i) .24 of 1% per annum for any date on which Level I Status exists, (ii) .30 of 1% per annum for any date on which Level II Status exists, (iii) .4125 of 1% per annum for any date on which Level III Status exists, (iv) .625 of 1% per annum for any date on which Level IV Status exists, and (v) .875 of 1% per annum for any date on which Level V Status exists.

SECTION 4. Amendment of Section 2.08. Section 2.08 of the Agreement is amended to read in its entirety as follows:

(a) Facility Fee. The Company shall pay to the Agent for the account of the Banks ratably a facility fee at the Facility Fee Rate. Such facility fee shall accrue (i) from and including the date hereof to but excluding the Termination Date, on the daily aggregate amount of the Commitments (whether used or unused) and (ii) from and including the Termination Date to but excluding the date the Loans shall be repaid in their entirety, on the daily aggregate outstanding principal amount of the Loans.

(b) Payments. Accrued fees under subsection (a) of this Section shall be payable quarterly on each March 15, June 15, September 15 and

December 15, and upon the date of termination of the Commitments in their entirety (and, if later, the date the Loans shall be repaid in their entirety).

(c) Administrative and Auction Fees. The Company shall pay to the Agent for its own account administrative and auction fees in the amounts previously agreed between them.

SECTION 5. Amendment of Section 5.10. Section 5.10 of the Agreement is amended by replacing "\$288,981,000" with "\$600,000,000", "January 31, 1993" with "November 3, 1996" and "January 30, 1993" with "November 2, 1996".

SECTION 6. Amendment of Section 5.11. Section 5.11 of the Agreement is amended by replacing "\$29,734,000" with "\$150,000,000", "January 30, 1993" with "November 2, 1996" and "January 31, 1993" with "November 3, 1996".

SECTION 7. Amendment of Section 5.13. Section 5.13 of the Agreement is amended by deleting "and" at the end of clause (i) and replacing clause (j) with the following clauses (j) and (k):

(j) Liens securing Capital Leases entered into after August 3, 1996 in an aggregate principal amount at any one time outstanding not to exceed \$200,000,000; and

(k) Liens not otherwise permitted by the foregoing clauses of this Section securing indebtedness in an aggregate principal and mark to market value (net of mark to market thresholds, if any) amount at any one time outstanding not to exceed 20% of Consolidated Tangible Net Worth.

SECTION 8. Governing Law. This Amendment and Restatement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 9. Counterparts; Effectiveness. This Amendment and Restatement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment and Restatement shall become effective as of the date hereof when the Agent shall receive

(a) duly executed counterparts hereof signed by the Company and the Banks (or, in the case of any party as to which an executed counterpart shall not have been received, the Agent shall receive telex, telecopy or other written confirmation from such party of execution of a counterpart hereof by such party);

(b) an opinion of William A. Wise, Jr., Assistant General Counsel of the Company, substantially in the form of Exhibit A hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(c) an opinion of Davis Polk & Wardwell, special counsel for the Agent, substantially in the form of Exhibit B hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request; and

(d) all documents it may reasonably request relating to the existence of the Company, the corporate authority for and the validity of this Amendment and Restatement, the Agreement as amended and restated hereby and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent;

provided that this Amendment and Restatement shall not become effective or be binding on any party hereto unless all of the foregoing conditions are satisfied not later than October 31, 1996.

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

ANALOG DEVICES, INC.

By: /s/ William A. Martin

Name: William A. Martin
Title: Treasurer

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By: /s/ Robert L. Barrett

Name: Robert L. Barrett
Title: Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ Jamie Dillon

Name: Jamie Dillon
Title: Vice President

THE FIRST NATIONAL BANK
OF BOSTON

By: /s/ Daniel G. Head, Jr.

Name: Daniel G. Head, Jr.
Title: Vice President

OPINION OF
COUNSEL FOR THE COMPANY

October 25, 1996

To the Banks and the Agent
Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Agent
60 Wall Street
New York, New York 10260

Dear Sirs:

This opinion is furnished to you pursuant to Section 9(b) of the Amended and Restated Credit Agreement dated as of October 25, 1996 among Analog Devices, Inc. (the "Company"), the banks listed on the signature pages thereof (the "Banks") and Morgan Guaranty Trust Company of New York, as Agent (the Credit Agreement as so amended and restated, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined.

I have acted as counsel for the Company in connection with the Credit Agreement. In rendering this opinion, I have examined and am familiar with the Credit Agreement, the Notes, the Articles of Organization and by-laws of the Company (each as amended to date), all material records of meetings of directors of the Company, certificates of public officials, and such other documents and matters of law as I have determined necessary as a basis for the opinion hereinafter expressed.

In my examination of the foregoing documents, I have assumed the genuineness of all signatures and the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such latter documents. Insofar as this opinion relates to factual matters, information with respect to which is not in my possession, I have relied exclusively upon

representations made by the Company in the Credit Agreement, and nothing has come to my attention leading me to question the accuracy of such information.

My opinion set forth below with respect to the Credit Agreement and the Notes is limited to such documents and agreements themselves and does not extend to any other documents, agreements, or instruments listed or described therein.

For the purposes of this opinion, I have assumed that the Credit Agreement is valid, binding and enforceable obligation of each Bank and the Agent and that the facts and law governing the future performance by the Company of its obligations under the Credit Agreement will be identical to the facts and law governing such performance as of the date of this opinion.

For the purposes of my opinion expressed in paragraph 1 below relating to due incorporation, legal existence and good standing of the Company, I have relied exclusively upon a certificate of the Office of the Secretary of State of Massachusetts dated October __, 1996. For the purposes of my opinion expressed in paragraph 5 below related to legal existence and good standing of the Company's corporate Subsidiaries, I have not obtained from any governmental authorities nor reviewed any certificates, laws or regulations applicable to them or the conduct of their business whether in their respective jurisdictions of incorporation or elsewhere.

I am a member of the Bar of the Commonwealth of Massachusetts only, and have not made an independent review of the laws of any state or jurisdiction other than the Commonwealth of Massachusetts and the Federal law of the United States of America. Accordingly, I express no opinion herein as to the laws of any state or other jurisdiction other than the Commonwealth of Massachusetts and the Federal law of the United States of America. To the extent that the Credit Agreement and Notes recite they are governed by the laws of the State of New York, I have assumed, with your permission, that the laws of the State of New York, to the extent relevant or applicable to the transactions contemplated by such documents, are identical to those of the Commonwealth of Massachusetts.

Any reference to "my knowledge" or "knowledge" or any variation thereof shall mean my conscious awareness of the existence or absence of any facts that would contradict my opinions set forth below. I have not undertaken any independent investigation to determine the existence or absence of such facts. Without limiting the foregoing with respect to my opinions in paragraphs 2 and 4 below, I have not conducted a search of the dockets of any court or administrative or other regulatory agency.

The opinion hereinafter expressed in paragraph 3 is qualified to the extent that the validity or enforceability of any of the agreements, documents, or

obligations referred to herein may be subject to or affected by (i) applicable bankruptcy, insolvency, reorganization, moratorium, usury or other laws relating to or affecting the rights of creditors generally, or (ii) duties and standards imposed on creditors from time to time, including, without limitation, good faith, reasonableness and fair dealing under the Uniform Commercial Code as enacted in the Commonwealth of Massachusetts or any other applicable law. I express no opinion as to the availability of any equitable remedy upon breach of any of the agreements, documents or obligations referred to herein.

I express no opinion as to the enforceability of the Agent's or any Bank's rights under the Credit Agreement other than with respect to the Company.

Based upon and subject to the foregoing, I am of the opinion that:

1. The Company is a corporation duly incorporated, legally existing and in good standing under the laws of the Commonwealth of Massachusetts and has all corporate powers, material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Articles of Organization or by-laws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

3. The Credit Agreement constitutes a valid and binding agreement of the Company and its Notes constitute valid and binding obligations of the Company.

4. To my knowledge, there is no action, suit or proceeding pending against, threatened against or affecting the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official, in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of the Credit Agreement or the Notes.

5. To my knowledge, each of the Company's corporate Subsidiaries is a corporation legally existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Very truly yours,

ANALOG DEVICES, INC.

William A. Wise, Jr.
Corporate Counsel

October 25, 1996

To the Banks and the Agent
Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Agent
60 Wall Street
New York, New York 10260

Dear Sirs:

We have participated in the preparation of the Amended and Restated Credit Agreement dated as of October 25, 1996 among Analog Devices, Inc., a Massachusetts corporation (the "Company"), the banks listed on the signature pages thereof (the "Banks") and Morgan Guaranty Trust Company of New York, as Agent (the "Agent") (the Credit Agreement as so amended and restated, the "Credit Agreement"). We have acted as special counsel for the Agent for the purpose of rendering this opinion pursuant to Section 9(c) of the Amendment and Restatement. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that the Credit Agreement constitutes a valid and binding agreement of the Company and its Notes constitute valid and binding obligations of the Company.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York and the federal laws of the United States of America. In giving the foregoing opinion, (i) we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect and (ii) we have relied, without independent

investigation, as to all matters governed by the law of the Commonwealth of Massachusetts, upon the opinion of William A. Wise, Jr., Esq., copies of which have been delivered to you.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent.

Very truly yours,

DESCRIPTION OF CONSULTING AGREEMENT WITH
JOHN L. DOYLE

Mr. Doyle provides certain consulting services for the Registrant. He is paid for such services, a fee of \$3,250 per day plus expenses.

LEASE

FERRARI BROTHERS,
a California general partnership

Landlord

ANALOG DEVICES, INC.,
a Massachusetts corporation

Tenant

DATED: June 16 , 1995

ADDRESS OF PREMISES:

610 Weddell Drive
Sunnyvale, California 94086
Fabrication Facility

LEASE SUMMARY

Parties:

Landlord: Ferrari Brothers, a California general partnership

Tenant: Analog Devices, Inc., a Massachusetts corporation

Premises: Approximately 27,379 square feet of space as shown in EXHIBIT A.

Building: 610 Weddell Drive, Sunnyvale, California

Scheduled Commencement

Date: June 16, 1995

Expiration Date: March 31, 2000

Base Rent: Thirty Five Thousand Dollars (\$35,000) per month

Security Deposit: A certificate of deposit as described in Paragraph 4

Tenant's Share of Building: 43.4%

Option(s) to Extend: Three (3) five-year options

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EXHIBITS

- Exhibit "A" -- Premises
- Exhibit "B" -- Property Description
- Exhibit "C" -- Plans and Specifications for Tenant Improvements
- Exhibit "D" -- Plans and Specifications for Additional Improvements
- Exhibit "E" -- Nondisturbance Agreement
- Exhibit "F" -- Memorandum of Lease

LEASE

This Lease is made and entered into as of June 1, 1995, by and between Ferrari Brothers, a California general partnership ("Landlord"), whose address is 1265 Montecito Avenue, Suite 200, Mountain View, California 94043, and Analog Devices, Inc., a Massachusetts corporation ("Tenant"), whose address is 3 Technology Way, Norwood, Massachusetts 02062-9106, Attn: Mr. William Wise.

Landlord and Tenant agree to the terms, covenants and conditions of this Lease, as follows:

1. PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord for the term, at the rental, and upon all of the other terms, covenants and conditions set forth herein, those certain premises (the "Premises") as shown on EXHIBIT "A" attached hereto consisting of approximately 27,379 square feet of space within that certain building (the "Building") situated in the City of Sunnyvale, County of Santa Clara, State of California, commonly known as 610 Weddell Drive and more particularly described in EXHIBIT "B" attached hereto. Tenant is entering into this Lease in conjunction with its acquisition of certain fabrication facility assets situated on the Premises from Performance Semiconductor Corporation ("PSC"), the prior tenant of the Premises.

Tenant shall also have the exclusive right to use the loading docks (if any) contiguous to the Premises and located within the Outside Areas, and the nonexclusive right to use all other portions of the Outside Areas in common with other tenants from time to time occupying space within the Building together with their respective agents, contractors, and other invitees. Landlord reserves the right to grant such easements burdening the Outside Areas as Landlord in its reasonable discretion deems appropriate provided the same do not unreasonably interfere with Tenant's ability to use the Outside Areas. Tenant at its sole expense shall maintain the water monitoring wells located within the Outside Areas as shown on EXHIBIT "B."

The parcel of land on which the Building is situated, together with the Building and all other improvements now or hereafter located thereon, is hereafter called the "Project."

The portion of the parcel of land described above not covered by the Building is hereafter called the "Outside Areas."

"Tenant's Share" as used in this Lease means that percentage of the total number of square feet of leasable space in the Building which is contained in the Premises, which the parties agree is Forty-Three and Four Tenths percent (43.4%).

2. TERM. The term of this Lease shall commence on June 16, 1995 (the "Commencement Date"), and end on March 31, 2000 (the "Expiration Date"), unless sooner terminated pursuant to the provisions hereof.

3. Rent.

3.1 INITIAL BASE RENT. Commencing on the Commencement Date, Tenant shall pay to Landlord for each calendar month of the term of this Lease, monthly base rent (hereafter called "Base Rent"), in the amount of Thirty Five Thousand Dollars (\$35,000). Base Rent shall be subject to adjustment from time to time as set forth in Paragraph 3.2.

3.2 RENTAL ADJUSTMENT. The monthly Base Rent payable hereunder shall be adjusted as of April 1, 1996 and as of April 1 of each successive year (each such date herein called a "Rental Adjustment Date") during the term of this Lease to reflect any changes in the cost of living. The adjustment or adjustments, if any, shall be calculated upon the basis of the United States Department of Labor, Bureau of Labor Statistics CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS, FOR SAN FRANCISCO-OAKLAND-SAN JOSE (1982-84=100), hereafter referred to as the "Index". The Index for said subgroup most recently published as of April 1, 1995 shall be considered the "base". On the first Rental Adjustment Date, the monthly Base Rent shall be adjusted by the percentage increase, if any, in the Index as of the Rental Adjustment Date, over the base. On each subsequent Rental Adjustment Date, the monthly Base Rent (as previously adjusted) shall be further adjusted by the percentage increase, if any, in the Index as of the Rental Adjustment Date over the Index as of the preceding Rental Adjustment Date. When the Base Rent is determined upon the Rental Adjustment Date, Landlord shall give Tenant written notice to that effect indicating how the new Base Rent figure was computed in accordance with this paragraph. If the Index does not exist on any Rental Adjustment Date in the same format as referred to in this paragraph, Landlord shall substitute in lieu thereof an index reasonably comparable to the Index referred to above which is then published by the Bureau of Labor Statistics, or by a successor or similar governmental agency, or, if no governmental agency then publishes an index, Landlord shall substitute therefor any commonly accepted index designed to reflect changes in the cost of living which is published by a reputable private organization.

3.3 MANNER OF PAYMENT. Tenant shall pay to Landlord the rent calculated as set forth above without deduction, offset, or abatement (except as expressly otherwise provided in Paragraphs 15.5, 16.1, and 16.5 below), and without prior notice or demand, in advance on the first day of each calendar month of the term of this Lease. Rent shall be payable in lawful money of the United States to Landlord at 1265 Montecito Avenue, Suite 200, Mountain View, California 94043 or at such other place as Landlord may from time to time designate in writing. Tenant's obligation to pay rent for any partial month shall be prorated on the basis of a thirty (30) day month.

3.4 LATE PAYMENT CHARGE. If any installment of rent or any other sum due from Tenant is not received by Landlord within ten (10) days after the due date, Tenant shall pay to Landlord an additional sum of Seven Hundred Dollars (\$700.00). Such sum shall represent liquidated damages for, and a reasonable estimate of, Landlord's administrative costs of collection, the exact amount of which would be extremely difficult or impractical to fix. Landlord's acceptance of such late charge shall not excuse any default by Tenant hereunder, and shall not preclude Landlord from pursuing any other rights and remedies it may have relating to such default.

4. SECURITY DEPOSIT. Prior to the Commencement Date, Tenant shall establish a Certificate of Deposit in the name of Analog Devices, Inc. in favor of Ferrari Brothers, a California general partnership, in the sum of Nineteen Thousand Three Hundred Sixty Two Dollars and Twenty Two Cents (\$19,362.22). It is specifically agreed that Landlord shall have access to the funds represented by the Certificate of Deposit only for the purposes and under the conditions set forth herein. The Certificate of Deposit shall be renewable on an annual basis and shall be renewed by Tenant at least thirty (30) days prior to the scheduled maturity thereof each year. The Certificate of Deposit, as the same may be renewed from time-to-time, shall remain in effect at least until the sooner of the expiration of this Lease or thirty (30) days after the sooner termination thereof, and in all events at least until ten (10) days after Tenant has vacated the Premises. If Tenant fails to pay rent or any other sum due hereunder, or otherwise defaults with respect to any provision of this Lease, Landlord may draw sums from the Certificate of Deposit for the payment of any rent or other sum in default, or to compensate Landlord for the payment of any other sum, including attorneys' fees, which Landlord spends by reason of Tenant's default. Landlord may draw upon the Certificate of Deposit without prejudice to any other remedy Landlord may have by reason of Tenant's default or breach. If Landlord so draws all or a portion of the Certificate of Deposit, Tenant shall, within twenty (20) days after demand in writing therefor, restore the amount of the Certificate of Deposit to the original amount thereof.

5. Taxes.

5.1 TENANT'S PERSONAL PROPERTY. Tenant shall pay directly to the charging authority prior to delinquency all taxes assessed against and levied upon Tenant's leasehold improvements, trade fixtures, furnishings, equipment and all other personal property and merchandise of Tenant situated in or about the Premises.

5.2 REAL PROPERTY TAXES. Tenant's Share of all Real Property Taxes (as hereafter defined) levied with respect to the Project shall be deemed Operating Expenses as described in Paragraph 9 below.

The term "Real Property Taxes" as used herein shall mean (i) all taxes, assessments, levies, and other charges of any kind or nature whatsoever, general and special (including all installments of principal and interest required to pay for any general or special assessments for public improvements, services, or benefits and any increases resulting from reassessments caused by any change in ownership, new construction, or change in valuation), now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against or with respect to (a) the value, occupancy or use of the Project (as now constructed or as may at any time hereinafter be constructed, altered, or otherwise changed), (b) the fixtures, equipment, and other real or personal property of Landlord that are an integral part of the Project, (c) the gross receipts, income, and rentals from the Project, or (d) the use of the Outside Areas, public utilities, or energy within the Project; (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Project; (iii) all new exercise, transaction, sales, privilege or other taxes now or hereafter imposed upon Landlord as a result of this Lease; and (iv) all reasonable costs and fees (including attorneys' fees) incurred by Landlord in contesting any Real Property Taxes pertaining to the Project and in negotiating with public authorities as to any Real Property Taxes pertaining to the Project. If at any time during the lease term the taxation or assessment of the Project prevailing as of the Commencement Date shall be altered so that in lieu of or in addition to any Real Property Taxes described above there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate, substitute, or additional tax or charge (i) on the value, use or occupancy of the Project, (ii) on or measured by the gross receipts, income, or rentals from the Project, or on Landlord's business of leasing the Project, or (iii) computed in any manner with respect to the operation of the Project, then any such tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of the Lease. If any Real Property Tax

is based upon property or rents unrelated to the Project, then only that part of such Real Property Tax that is fairly allocable to the Project shall be included within the meaning of the term "Real Property Taxes." Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, transfer, gift or franchise taxes of Landlord or the federal or state net income tax imposed on Landlord's income from all sources.

Notwithstanding the foregoing, Tenant shall have no obligation to pay any increase in Real Property Taxes due to a reassessment of the value of the Premises under Article XIII A of the California Constitution to the extent such reassessment results from new construction on land adjacent to the Premises owned by Landlord and included within the tax parcel of which the Premises are a part. Nothing in this paragraph shall be construed to relieve Tenant of the obligation of paying its share of increases in taxes under said Article XIII A or any other provision of law in accordance with the provisions of this Lease, except as specifically set forth above in this paragraph.

Real Property Taxes shall be prorated on the basis of a 365-day year to account for any fractional portion of a fiscal tax year included in the Lease term at the commencement or expiration of the term.

If any general or special assessment is levied and assessed against the Premises, Landlord may elect either to pay the assessment in full or to allow the assessment to go to bond. If Landlord pays the assessment in full, Operating Expenses shall include a sum equal to that which would have been payable (as both principal and interest) had Landlord allowed the assessment to go to bond.

Tenant shall have the right, upon written request to Landlord, to inspect each and every original tax bill relating to taxes assessed during the Lease term against the Premises or the tax parcel of which the Premises are a part. Landlord shall make such original tax bill available for Tenant's inspection at Landlord's headquarters or at such other reasonable place as Landlord may determine, during reasonable business hours.

Tenant at its cost shall have the right, at any time, to contest any Real Property Taxes that are to be paid by Tenant, provided that Tenant shall first pay any Real Property Taxes it desires to contest. Landlord shall not be required to join in any contest brought by Tenant unless the provisions of any law require that the contest be brought by or in the name of Landlord or any owner of the Premises. In that case Landlord shall join in the contest or permit it to be brought in Landlord's

name as long as Landlord is not required to bear any cost. Tenant, on final determination of the contest, shall immediately pay or discharge any decision or judgement rendered, together with all costs, charges, interest, and penalties incidental to the decision or judgement.

Notwithstanding anything to the contrary, Tenant shall only be required to pay charges by the Environmental Protection Agency or other governmental agencies relating to cleaning up contamination on, under, or about the Premises to the extent such contamination results from Tenant's use of the Premises or is caused by Tenant to exist in, on, or about the Premises, and such expense shall be limited to costs incurred to perform such investigations and clean-up as may be required by law. It is expressly understood that, except as otherwise provided in Paragraph 7 below, Tenant shall have no liability in connection with any contamination of the Premises occurring before Tenant's entry into the Premises, or occurring after expiration or sooner termination of the Lease term and Tenant's vacating of the Premises, except to the extent Tenant causes such contamination.

6. Use.

6.1 PERMITTED USES. The Premises shall be used and occupied only for the following purposes: office, research, development, manufacturing and sale of electronic components, and for no other use or purpose without first obtaining Landlord's written consent which shall not be unreasonably withheld.

6.2 COMPLIANCE WITH LAW. Tenant shall at its sole expense at all times during the Lease term comply with all laws, statutes, ordinances, regulations, codes or other rules and regulations of lawful governmental authority (collectively "Regulations") relating to the Premises. Notwithstanding anything to the contrary in this Lease, Landlord shall perform and pay for all modifications to the structure of the Building (i.e., the exterior walls, roof structure and building foundation), required in order to comply with any such Regulations, unless the need for compliance is (a) caused by Tenant's particular use of the Premises (rather than merely being a requirement for all buildings within the jurisdiction of such governmental authority), or (b) caused by any new construction performed by or on behalf of Tenant in, on or about the Premises (except to the extent that during the process of such new construction violations of codes in effect at the time Landlord constructed the Building are found, in which case Landlord shall be solely liable for the cost of curing such violations). Tenant shall perform and pay for any and all improvements or other modifications required to be made with respect to any improvements made to the Premises by Tenant, and all other portions of the Premises except as provided in the

second sentence of this paragraph. Without limiting the generality of the foregoing, Tenant specifically shall perform and pay at its sole cost for any and all work required to bring the Premises into compliance with the Americans with Disabilities Act and the Toxic Gas Ordinance.

7. Hazardous Materials.

As used herein, "Hazardous Materials" means any hazardous, toxic, environmentally damaging or radioactive materials, substances or wastes, including, but not limited to, those materials, substances or wastes: (1) defined or listed as hazardous or extremely hazardous materials or wastes pursuant to Title 22, Division 4, Chapter 30, of the California Code of Regulations, as may be amended; (2) defined or listed as hazardous substances pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. _ 9601, et seq., as may be amended; (3) defined or listed as hazardous or acutely hazardous wastes pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. _ 6901, et seq., as may be amended; and/or (4) which consist in whole or part of petroleum, petroleum fractions, petroleum products or petroleum distillates.

Tenant shall not cause or permit to be discharged from or about the Premises, the Building, or the Project any Hazardous Materials. Without limiting the foregoing, Tenant shall not cause or permit to be discharged any Hazardous Materials into the groundwater or soils underlying or adjacent to the Premises, Building or Project. Prior to its occupancy of the Premises Tenant shall provide Landlord with a copy of the following items relating to Tenant's bringing, using, or storing any Hazardous Materials on the Premises: (i) a copy of Tenant's Material Safety Data Sheet in the same form submitted to OSHA, (ii) a written detailed description of where on the Premises Tenant intends to store Hazardous Materials and the manner (volume and type of containers for each Hazardous Material, and method of securing the same against movement) in which such Hazardous Materials will be stored, and (iii) a general description of the processes for which the Hazardous Materials will be used. Tenant shall deliver to Landlord in writing a detailed description of any updates to or other modifications of the foregoing as and when they occur.

Tenant, at its sole expense shall comply with all applicable governmental rules, regulations, codes, ordinances, statutes, directives and other requirements (collectively, "Laws") respecting Hazardous Materials in connection with Tenant's activities and the activities of its agents, employees, contractors and invitees on or about the Premises, the Building or the Project. Tenant, at its sole cost, shall perform all investigations, clean-up and other response actions which may be required by any

governmental authority in, on, or about the Project, to the extent the same relate to Hazardous Materials the existence of which in, on or about the Project was caused by Tenant or its agents, contractors, employees, or invitees. For purposes of this Paragraph 7 and all other provisions of this Lease, any Hazardous Materials existing in, on or about the Project which are of the same type, or which are derivative combinations or products thereof, of any Hazardous Materials or other chemicals or substances which have at any time been used, stored, generated, or released in, at, about or from the Premises shall be deemed to have been released and caused to exist in, on or about the Project by Tenant unless Tenant demonstrates by a preponderance of the evidence that the existence of such Hazardous Materials was not caused by Tenant. For purposes of this Paragraph 7, Hazardous Materials located in, on or about the Premises, Building, or Project shall include without limitation Hazardous Materials situated in the groundwater or soil.

Tenant shall indemnify, protect, defend and hold harmless Landlord from and against all costs (including, but not limited to, environmental response costs and Landlord's attorneys' and experts' fees and costs), expenses, claims, judgments, losses, demands, liabilities, causes of action, governmental directives, proceedings or hearings, relating to the use, handling, generation, storage, transportation, release or disposal of Hazardous Materials by Tenant, or its employees, agents, invitees or contractors on, in, beneath, about or from, the Premises, the Building or the Project, and/or relating to the breach of any of Tenant's obligations under this Paragraph 7. Tenant's obligation to defend shall mean with legal counsel approved by Landlord, which approval shall not unreasonably be withheld or delayed. Without limitation of the foregoing, in the event Tenant, its employees, agents, invitees or contractors, causes or has caused the presence of Hazardous Materials in, on, or about the Premises, or in the groundwater or land underlying the Premises or the Building, or, in, on, or about any groundwater or land adjacent to, on, in the vicinity of the Premises, Tenant shall indemnify, protect, defend, and hold harmless Landlord from and against the cost of environmental consultants, attorneys, and other consultants as Landlord determines are appropriate to assist Landlord in (1) investigating the source, extent, and composition of such Hazardous Materials, (2) cleaning up or otherwise remediating the same, (3) dealing with any potential or actual liability of Landlord and/or Tenant respecting such Hazardous Materials, and (4) otherwise dealing with such Hazardous Materials. Tenant shall reimburse Landlord for (i) losses in or reductions to rental income resulting from Tenant's use, handling, generation, storage, transportation, release or disposal of Hazardous Materials; (ii) all costs of clean-up or other alterations to the Premises, the Building or the Project necessitated by Tenant's use, handling, generation, storage, transportation, release or disposal of Hazardous Materials; and (iii) any diminution in the fair market value of the Project caused by

Tenant's use, handling, generation, storage, transportation, release or disposal of Hazardous Materials.

Tenant shall notify Landlord in writing, immediately upon becoming aware of: (1) any environmental investigation, clean-up or other environmental response action requested, demanded, instituted or to be instituted by any person, including but not limited to a governmental entity, relating to any release or migration of Hazardous Materials on, in, beneath, to or adjacent to the Premises, the Building or the Project; (2) any environmental investigation, cleanup or other environmental response action requested, demanded, instituted or to be instituted by any person, including a governmental entity, relating to the use, handling, generation, storage, transportation, release or disposal of Hazardous Materials by Tenant, its employees, agents, invitees or contractors on, in, beneath, about or from the Premises, the Building or the Project; (3) any claim or demand made or threatened by any person, including but not limited to a governmental entity, against the Landlord or Tenant, the Premises, the Building or the Project relating to damages, contribution, cost recovery, compensation, loss or injury relating to or claimed to result from any Hazardous Materials that have come to be located on or about the Premises, the Building or the Project; or (4) any data, workplans, proposals or reports submitted to any governmental entity arising out of or in connection with any Hazardous Materials on or about the Premises, the Building or the Project, including but not limited to any complaints, notices, warnings or asserted violations in connection therewith.

Landlord shall have the right, but not the obligation, in its sole discretion, to conduct any inspections of the Premises, the Building and the Project regarding Hazardous Materials on, in, beneath or about same. Landlord shall give Tenant forty-eight (48) hours advance notice of any such inspection, except in the event of an emergency situation. When conducting any such inspections, Landlord shall avoid unreasonably disrupting Tenant's activities. Tenant shall provide Landlord with reasonable cooperation to facilitate any such inspection by Landlord, its agents or representatives.

Under no circumstances shall Tenant install, temporarily or permanently, any underground or below-floor tanks relating to the use, storage or disposal of Hazardous Materials.

Prior to the expiration or termination of this Lease, Tenant shall decontaminate, remove or clean any equipment, improvements or facilities used by Tenant at the Premises, Building or Project in connection with Hazardous Materials, in full compliance with applicable Laws.

To the extent any of the provisions of this Lease conflict with the provisions of Paragraph 7, the provisions of Paragraph 7 shall be controlling. The obligations of Tenant under this Paragraph 7 shall survive the expiration of the Lease term.

8. RESTRICTIONS ON USE. Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste on the Premises or constitute a nuisance to any other occupant or user of the Building or any neighboring building. Tenant shall not place any harmful liquids or other substances in the drainage system of the Building or use any apparatus, machinery or other equipment in or about the Premises that may cause substantial noise or vibration or overload existing electrical systems, or otherwise place any unusual loads upon the floors, walls, or ceilings of the Premises which may overload the Premises or jeopardize the structural integrity of the Building or any part thereof. Tenant shall not make any penetrations of the roof or exterior of the Building without the prior written approval of Landlord. No materials or articles of any nature shall be stored upon any portion of the Outside Areas unless located within an enclosure approved by Landlord.

9. Operating Expenses.

9.1 OPERATING EXPENSES. Tenant shall pay to Landlord as additional rent hereunder one-half (1/2) of Tenant's Share of the total amount of Operating Expenses (as defined below) as may be paid or incurred by Landlord during the term of this Lease.

The term "Operating Expenses" shall mean all costs and disbursements which Landlord shall pay or become obligated to pay in connection with maintaining, repairing, managing and operating the Project, including, without limitation (i) Real Property Taxes, (ii) the insurance premiums for insurance which Landlord is required or entitled to maintain related to the Project as described below in Paragraph 14, (iii) the maintenance, repair and operation of the Project, including but not limited to, all labor, materials, supplies and services, and the cost of all maintenance contracts, used or consumed in performing Landlord's maintenance and repair obligations hereunder, (iv) landscaping costs related to the Project, (v) wages, salaries and benefits of all employees or consultants engaged in the operation, maintenance and security of the Project, including taxes, insurance and benefits relating thereto, (vi) any replacements or capital improvements to the Project, except as otherwise specified in Paragraph 6.2 above or in Paragraph 10 below, (vii) utility services which are not separately metered to the premises of the tenants of the Building, and (viii) janitorial services. Additionally, Tenant's Share of Operating

Expenses shall include a management fee for Landlord's management, operation and administration of the Project equal to five percent (5%) of the total Operating Expenses hereunder excluding insurance premiums and Real Property Taxes. To the extent the useful life of any improvement or item repaired or replaced by Landlord in connection with its maintenance or repair of the Project exceeds three (3) years, as reasonably determined by Landlord, the cost thereof shall be amortized, together with interest thereon at the prevailing rate available to Landlord from commercial banks, over such reasonable period as Landlord shall determine and such amortized cost shall be included in Operating Expenses. If the useful life of any such improvement or item repaired or replaced is three (3) years or less, then the cost thereof shall be deemed expensed and included immediately in its entirety in Operating Expenses, except as otherwise specified in Paragraph 6.2 above or in Paragraph 10 below.

In addition to the foregoing, Tenant shall reimburse Landlord in full upon demand for any damage to the Premises, the Building or the Outside Areas which is caused by Tenant, its agents, employees, contractors or invitees.

Notwithstanding anything to the contrary, it is expressly understood that Operating Expenses do not include (i) amounts due under loans encumbering the Premises, or payments of rent under ground leases of the Premises, (ii) depreciation of the Building or of any building service equipment, (iii) brokerage commissions incurred in connection with leasing all or any portion of the Building, (iv) attorneys' fees, accounting costs, and other costs directly related to leasing space in the Building, (v) damage caused by the active negligence, wilful misconduct, or omissions (subject to Paragraph 32.1) of the Landlord or its employees, agents, or contractors, (vi) damage to the Project caused by any other tenants of the Project, or their respective employees, agents, or contractors, and (vii) expenses related to repairing construction defects in the Building shell.

Tenant shall have the right to inspect the books and records of Landlord relating to the calculation of Operating Expenses no more often than one time in any twelve month period during the term of the Lease for purposes of verifying the accuracy of Landlord's calculation of the amount of Operating Expenses. Tenant shall exercise such right by delivery to Landlord of notice of Tenant's desire to so inspect such books and records, and dates and times during normal business hours during which Tenant would like to inspect the same, whereupon Landlord shall reasonably cooperate with Tenant to provide reasonable access to such books and records at Landlord's offices.

9.2 MONTHLY PAYMENTS. Tenant shall pay to Landlord on the first day of each calendar month during the term hereof an amount estimated by Landlord to be one-twelfth (1/12) of Tenant's Share of one half (1/2) of the Operating Expenses for such twelve (12) month period. Landlord estimates that one-twelfth (1/12) of Tenant's Share of one half (1/2) of the Operating Expenses for the initial year of the term will be \$2,387 (based on annual Operating Expenses for the Project of \$132,000). On or before March 15 of each calendar year during the term hereof Landlord shall furnish Tenant a statement prepared in accordance with generally accepted accounting principles, consistently applied, covering the preceding calendar year and the payments made by Tenant with respect to such period as set forth in this Paragraph 9. If Tenant's payments for Operating Expenses during said period did not equal one-half (1/2) of the actual amount of Tenant's share of Operating Expenses, Tenant shall pay to Landlord the deficiency with its next due installment of Base Rent after receipt of such statement. If said payments exceed the actual amount due hereunder, Landlord shall credit the excess against the next installment(s) of Base Rent. Operating Expenses shall be prorated as of the Commencement Date and the Expiration Date (or the date of any sooner termination of the term of this Lease) to reflect the portion of the calendar year occurring within the lease term.

10. Maintenance and Repairs.

10.1 TENANT'S OBLIGATIONS. Except as otherwise specifically provided herein, Tenant shall, at Tenant's expense, keep in good and safe condition, order and repair the Premises and every part thereof, including without limitation, all plumbing, heating, air conditioning, ventilating, fire sprinklers, electrical and lighting facilities, systems, appliances, and equipment within the Premises; and all fixtures, interior walls, interior surfaces of exterior walls, floors, ceilings, windows, doors, entrances, all glass (including plate glass), and skylights located within the Premises. Prior to the Commencement Date or promptly thereafter, Tenant at its sole cost shall install an electrical meter measuring all electrical service provided to the Premises, and shall install a new transformer serving only the Premises; such installation shall be subject to the provisions of Paragraph 11 hereof relating to alterations to the Premises. Tenant shall, at Tenant's expense, maintain at all times during the term of this Lease the heating, ventilating and air conditioning ("HVAC") systems serving the Premises in a manner reasonably satisfactory to Landlord, which maintenance at a minimum shall include replacement of filters, oiling and lubricating of machinery, parts replacement, adjustment of drive belts, oil changes, weatherproofing of all exposed HVAC equipment and ducts, and other preventive maintenance; provided, however, that Tenant shall have the benefit of all warranties available to Landlord regarding the equipment in said systems. Tenant hereby waives the benefit of any statute now or

hereafter in effect which would otherwise afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good condition, order and repair. Tenant specifically waives all rights it may have under Sections 1932(1), 1941, and 1942 of the California Civil Code, and any similar or successor statute or law.

Notwithstanding anything to the contrary contained in the Lease, Tenant shall in no event be responsible for performing, or paying for the performance of, repair and maintenance of the Premises or the Building to the extent the same: (i) is caused by the active negligence, wilful misconduct, or omissions (subject to Paragraph 32.1) of Landlord or its agents, employees or contractors, (ii) is necessitated by the negligence or wilful misconduct of other tenants in the Building, or their agents, employees, or contractors; (iii) is necessitated by the occurrence of any peril required to be insured under policies of insurance required to be obtained by Landlord under this Lease, or (iv) results from construction defects of the Building. The liability of Tenant shall also be limited to the extent Landlord receives reimbursement from others, including insurers, guarantors, other tenants in the Building, and contractors.

10.2 LANDLORD'S OBLIGATIONS. Landlord shall keep in good condition, order and repair the foundation and exterior walls of the Building (excluding the interior of all walls and the exterior and interior of all windows, doors, plate glass, and show cases), and the exterior roof of the Building (except that Tenant shall repair at Tenant's expense any damage caused by the activities of Tenant, Tenant's HVAC maintenance service contractor, and/or Tenant's other agents on the roof, including but not limited to the installation of air conditioning equipment and/or duct work, or other roof penetrations, and improper flashing or caulking, and any damage to exposed air conditioning equipment and duct-work installed by or for Tenant). Expenses incurred by Landlord in connection with the above described obligations shall be Operating Expenses hereunder, except for expenses incurred in connection with maintaining the roof structure (but not the roof membrane), foundation and exterior walls of the Building which shall be borne solely by Landlord. Notwithstanding the foregoing, Tenant shall not be required to pay as Operating Expenses the cost of any repair or maintenance respecting the roof membrane which Tenant is able to demonstrate to the reasonable satisfaction of Landlord is required as a result of Landlord's activity on the roof or a defect in construction performed by Landlord. Landlord shall also paint the Building from time to time as reasonably necessary, and the cost thereof shall be an Operating Expense. Landlord shall exercise reasonable diligence in performing such repairs as soon as practicable. However, Landlord shall have no obligation to make repairs under this Paragraph 10.2 until a reasonable time after Landlord's receipt of written notice from Tenant of the need for such repairs.

Except as otherwise specifically provided herein, there shall be no abatement of rent or other sums payable by Tenant prior to or during any repairs by Tenant or Landlord, and Tenant waives all claims for loss of business or lost profits relating to any such repairs.

10.3 LANDLORD TO MAINTAIN AND CONTROL OUTSIDE AREAS. Landlord shall maintain the Outside Areas, together with all facilities and improvements now or hereafter located thereon, and together with all street improvements or other improvements adjacent thereto as may be required from time to time by governmental authority. The manner in which such areas shall be maintained and the expenditures therefor shall be at the sole discretion of Landlord; provided that Landlord maintains the Outside Areas in such a fashion as achieves substantially the same level of quality in which Landlord maintained the Outside Areas during PSC's occupancy of the Premises. Landlord shall at all times have exclusive control of the Outside Areas and may at any time temporarily close any part thereof, may exclude and restrain anyone from any part thereof (except the bona fide customers, employees and invitees of Tenant who use the Outside Areas in accordance with the rules and regulations that Landlord may from time to time promulgate), and Landlord may change the configuration of the Outside Areas or the location of facilities thereon so long as any such change by Landlord does not unreasonably interfere with Tenant's use of the Premises. Landlord shall also be entitled to employ third parties to operate and maintain all or any part of such areas on such terms and conditions as Landlord shall in its sole discretion deem reasonable and proper. In exercising any such rights, Landlord shall make a reasonable effort to minimize any disruption of Tenant's business.

10.4 HVAC REPLACEMENT AND PARKING LOT RESURFACING. If the HVAC equipment (or any portion thereof) servicing the office portion of the Premises (as opposed to the manufacturing portion of the Premises, for which Tenant shall be solely liable for HVAC replacement costs) must be replaced at any time during the Lease term, or the parking lot adjacent to the Building servicing the tenants of the Building requires Major Resurfacing (as defined below), as reasonably determined by Landlord, at any time during the Lease term, then the cost of such replacement or resurfacing, as the case may be, shall be borne by both Landlord and Tenant in accordance with the following formula. Tenant shall pay such portion of the cost which is equal to 43.4% of a fraction, the numerator of which is the number of years remaining in the Lease term, and the denominator of which is the useful life (as reasonably determined by Landlord) of the new HVAC system, or the resurfaced parking lot, as the case may be. In the event Tenant should exercise any options to extend the Lease term which extended terms commence after such replacement or resurfacing, then Tenant shall

pay to Landlord upon commencement of each such extended term the difference between the amount owed by Tenant pursuant to the immediately preceding sentence, and the amount calculated pursuant to the preceding sentence assuming that the remaining term of the Lease includes the years of such extended term. For purposes of this subparagraph, "Major Resurfacing" shall be defined to mean any resurfacing of the parking lot the cost of which exceeds Ten Thousand Dollars (\$10,000.00); to the extent the cost of resurfacing is less than Ten Thousand Dollars (\$10,000.00), then the entire cost shall be an Operating Expense in the year in which it is incurred by Landlord.

11. Alterations.

11.1 LANDLORD'S CONSENT REQUIRED. Tenant shall not, without Landlord's prior written consent (which consent shall not unreasonably be withheld or delayed beyond thirty (30) days after Tenant's written request to Landlord to make the same) make any alterations, improvements, additions, or utility installations (collectively called "alterations") in, on or about the Premises, except for nonstructural alterations which during any twelve (12) month period, in the aggregate, cost no more than Twenty Thousand Dollars (\$20,000). As used in this Paragraph 11.1, the term "utility installation" means power panels, wiring, fluorescent fixtures, space heaters, conduits, air conditioning and plumbing. Should Tenant make any alterations requiring the prior written consent of Landlord without obtaining such consent, Tenant shall immediately remove the same at Tenant's expense upon demand by Landlord.

11.2 PLANS AND PERMITS. Any alteration that Tenant shall desire to make in or about the Premises and which requires the consent of Landlord shall be presented to Landlord in written form, with proposed detailed plans and specifications therefor prepared at Tenant's sole expense. Any consent by Landlord thereto shall be deemed conditioned upon Tenant's acquisition of all permits required to make such alteration from all appropriate governmental agencies, the furnishing of copies thereof to Landlord prior to commencement of the work, and the compliance by Tenant with all conditions of said permits in a prompt and expeditious manner, all at Tenant's sole expense. Upon completion of any alterations whether or not Landlord's consent thereto is required, Tenant, at Tenant's sole cost, shall immediately deliver to Landlord "as-built" plans and specifications therefor.

11.3 CONSTRUCTION WORK DONE BY TENANT. All construction work required or permitted to be done by Tenant shall be performed by licensed contractors in a prompt, diligent, and good and workmanlike manner, and shall not materially

diminish the value of the Building. Furthermore, all such construction work shall conform in quality and design with the Premises existing as of the time such work is performed. In addition, all such construction work shall be performed in compliance with all applicable statutes, ordinances, regulations, codes and orders of governmental authorities and insurers of the Premises. Tenant or its agents shall obtain and pay for all licenses and permits necessary therefor.

11.4 ROOF REPAIRS. All installation of air conditioning equipment and duct work requiring penetration of the roof shall be properly flashed and caulked. Any electrical or refrigeration conduits or other piping or materials installed by Tenant in the Building shall be installed beneath the surface of the roof (and not on the surface of the roof), and Tenant shall thereafter repair and re-roof the affected portions of the roof surface. Any equipment placed by Tenant on the roof shall be elevated and supported by Tenant so as not to inhibit drainage or Landlord's repair of the roof pursuant to Paragraph 10.2.

11.5 TITLE TO ALTERATIONS. Except as otherwise provided hereinbelow, Tenant shall at all times retain title to any alterations, and shall be entitled to claim any depreciation, investment tax credits, and other tax benefits available in connection therewith. Tenant shall also be entitled to remove any alterations installed by Tenant at its own expense, provided such removal can be accomplished without causing damage to structural portions of the Building, and provided further that Tenant at its sole expense promptly repairs any and all damage occasioned by such removal. If at the time Tenant installs or constructs any alterations, Tenant requests and receives Landlord's permission to leave such alterations on the Premises upon expiration or sooner termination of the Lease term, then Tenant shall have no obligation to remove the same upon expiration or sooner termination of the Lease term. If Tenant fails at the time of installation to request or obtain Landlord's consent to leaving such alterations on the Premises upon expiration or sooner termination of the Lease term, then Landlord shall be entitled to require Tenant to remove the same and restore the Premises to its original condition subject to reasonable wear and tear, perils, and Acts of God, prior to expiration or promptly after sooner termination of the Lease term, at Tenant's sole cost and expense. Tenant shall be entitled to leave the Tenant Improvements in the Premises upon expiration or sooner termination of the Lease term. Tenant shall be obligated to remove the Additional Improvements upon expiration or sooner termination of the Lease term. The rights of Landlord and obligations of Tenant under this paragraph shall survive termination of the Lease term.

All alterations and other property of Tenant which remain on the Premises upon expiration or sooner termination of the Lease term, subject to the

preceding subparagraph, shall be deemed abandoned by Tenant and at Landlord's sole election shall be deemed the sole property of Landlord without need for consideration therefor from Landlord to Tenant.

Landlord, within ten (10) days after demand from Tenant, shall execute and deliver any documents required by any supplier, lessor, or lender in connection with the installation in the Premises of Tenant's personal property or Tenant's trade fixtures in which Landlord waives any rights it may have or require with respect to that property, if the supplier, lessor, or lender agrees in writing that (a) it will remove that property from the Premises before the expiration of the Lease term or within thirty (30) days after sooner termination of the term, provided that if it does not remove the property within said period it shall have waived any rights it may have had to the property, and (b) it shall repair any damage to the Premises occasioned by such removal at its sole cost and expense within five (5) days after such removal.

11.6 MECHANICS' LIENS. Tenant shall keep the Premises, the Building, and the Project free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as Landlord shall deem proper, including payment of the claim giving rise to such lien. All sums paid by Landlord for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to Landlord by Tenant on demand with interest at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less. Tenant shall give Landlord notice of the date of commencement of any work in the Premises not less than ten (10) days prior thereto, and Landlord shall have the right to post notices of non-responsibility or similar notices in or on the Premises in connection therewith.

12. UTILITIES. Prior to Tenant's occupancy of the Premises, or promptly thereafter, Tenant at its sole cost shall separately meter all utilities serving the Premises. For all periods of time prior to such separate metering, Tenant shall pay fifty percent (50%) of all utilities costs which are not separately metered and which are provided to the Building. Such separate metering shall be deemed an alteration of the Premises which is subject to the provisions of Paragraph 11 above. Tenant shall pay when due directly to the charging authority all charges for water, gas, electricity, telephone, refuse pickup, janitorial services, and all other utilities and services supplied or furnished to the Premises during the term of this Lease, together with any taxes thereon. In no event shall Landlord be liable to Tenant for failure or

interruption of any such utilities or services, unless caused by the willful misconduct of Landlord, and no such failure or interruption shall entitle Tenant to terminate this Lease or to withhold rent or other sums due hereunder. Landlord shall not be responsible for providing security guards or other security protection for all or any portion of the Premises, and Tenant shall at its own expense provide or obtain such security services as Tenant shall desire to insure the safety of the Premises.

13. Indemnity.

13.1 INDEMNITY BY TENANT. Tenant shall indemnify, protect, defend, and hold harmless Landlord from and against any and all claims, damages, loss, proceedings, causes of action, costs, expense or liability due to, but not limited to, bodily injury, including death resulting at any time therefrom, and/or property damage, now or hereafter arising from any act, work or things done or permitted to be done or otherwise suffered, or any omission in or about the Premises, the Building, or the Project, by Tenant or by any of Tenant's agents, employees, contractors, or invitees, or from any breach or default by Tenant in the performance of any obligation on the part of Tenant to be performed under the terms of this Lease, except to the extent such damage, loss, expense or liability is caused by the active negligence, willful misconduct or omission (subject to Paragraph 32.1) of Landlord or its agents, employees or contractors. Tenant shall also indemnify Landlord from and against all damage, loss, expense (including without limitation, attorneys' fees, costs of investigation, and expert witness fees), and liability incurred or suffered by Landlord in the defense of or arising out of or resulting from any claim or any action or proceeding brought thereon. In the event any action or proceeding shall be brought against Landlord by reason of any such claim, Tenant upon notice from Landlord shall defend the same at Tenant's expense with counsel reasonably satisfactory to Landlord. The obligations of Tenant contained in this paragraph shall survive the termination of this Lease.

13.2 INDEMNITY BY LANDLORD. Landlord hereby indemnifies Tenant from and against all damages arising out of any damage to any person or property occurring in, on or about the Premises and the Building resulting from the active negligence, wilful misconduct, or omissions (subject to Paragraph 32.1) of Landlord or its employees, agents and contractors, or from a breach of Landlord's obligations under the Lease, except to the extent caused by the acts or omissions of Tenant or its authorized representatives. Landlord's obligation under this paragraph to indemnify Tenant shall be limited to the sum that exceeds the amount of insurance proceeds, if any, received by Tenant as a result of such damage.

Notwithstanding the foregoing or any other provision in this Lease, Landlord shall in no event be liable to Tenant for lost profits of Tenant unless the same result from the wilful misconduct of Landlord, and Tenant hereby releases Landlord from liability for any such loss profits to such extent. This provision shall not be construed to release Landlord from any claim for damages arising from Landlord's wilful misconduct, to the extent such damages do not relate to lost profits.

14. Insurance.

14.1 TENANT'S LIABILITY INSURANCE. Tenant shall, at its sole cost and expense, obtain and keep in force during the term of this Lease either Comprehensive General Liability insurance or Commercial General Liability insurance applying to the use and occupancy of the Premises and the business operated by Tenant, or any other occupant, on the Premises. Such insurance shall include Broad Form Contractual liability insurance coverage. Such coverage shall have a minimum combined single limit of liability of at least Five Million Dollars (\$5,000,000). All such policies shall be written to apply to all bodily injury, property damage, personal injury and other covered loss, however occasioned. All such policies shall be endorsed to add Landlord and any lender or other party having an interest in the Premises named by Landlord as an additional insured and to provide that any insurance maintained by Landlord shall be excess insurance only. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the insureds shall not reduce or avoid coverage to the other insureds; and shall afford coverage for all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. The limits of all insurance described in this Paragraph 14.1 shall not, however, limit the liability of Tenant hereunder.

14.2 LANDLORD'S PROPERTY INSURANCE. Landlord shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Project in the amount of the full replacement value thereof, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils (all risk), including boiler and machinery coverage and an inflation endorsement, and, if available, flood and/or earthquake. Such coverage shall include the Tenant Improvements described on EXHIBIT "C", but shall exclude coverage of (i) the Additional Improvements described on Exhibit "D" and all other leasehold improvements, additions, and alterations other than the Tenant Improvements described on EXHIBIT "C" existing from time to time on the Premises, and (iii) merchandise, fixtures, equipment and other personal property of Tenant. In addition, Landlord shall obtain and keep in force,

during the term of this Lease, a policy of rental loss insurance covering a period of one year, commencing on the date of loss, with proceeds payable to Landlord, which insurance may also cover all Real Property Taxes, insurance premiums, other Operating Expenses, and other sums payable by Tenant to Landlord hereunder for said period. The insurance coverage may include sprinkler leakage insurance if the Building contains fire sprinklers. Tenant shall have no interest in or right to the proceeds of any such insurance carried by Landlord.

Landlord shall make available to Tenant for Tenant's inspection all insurance bills received by Landlord from time to time relating to insurance required to be obtained by Landlord pursuant to this paragraph. It is understood that Landlord's insurance policy covering the Premises shall also cover the full replacement value of the Tenant Improvements, and that the proceeds of such insurance shall belong to Landlord and Tenant shall have no interest therein. In the event Tenant reasonably demonstrates to Landlord that Landlord can obtain insurance for the Premises, or the Building if Landlord obtains insurance for the entire Building rather than the Premises alone, at a rate which is 90% or less of the premiums charged for such insurance as has been obtained by Landlord, then Landlord at Tenant's written request shall obtain a policy of property insurance at such lower rate, provided such policy can be obtained with an insurer authorized to do business in the State of California which insurer has a financial rating of at least A 14 as rated in the most recent addition of Best's Insurance Reports, and such policy has reasonably comparable coverage and deductible amounts. Tenant shall not be required to pay any increases in property insurance costs to the extent such increases are caused by other tenants' uses of the Building in which the Premises are located. Similarly, Tenant shall be solely liable for any increases in property insurance costs to the extent such increases are caused by Tenant's use of the Premises or Tenant's activities thereon.

14.3 TENANT'S PROPERTY INSURANCE. Tenant shall, at Tenant's sole expense, obtain and keep in force during the term of this Lease, a policy of fire and extended coverage insurance including a standard "all risk" endorsement, insuring (i) the Additional Improvements described on EXHIBIT "D" and all other leasehold improvements, additions, and alterations existing from time to time in or to the Premises other than the Tenant Improvements described on EXHIBIT "C", and (iii) merchandise, fixtures, equipment and other personal property of Tenant within the Premises. Such insurance coverage shall be for the full replacement value thereof, as the same may increase from time to time due to inflation or otherwise. The proceeds from any such policies shall be used for the repair or replacement of such items so insured (except for the proceeds arising from damage to the Additional Improvements, which may be used as Tenant desires for purposes which may be

unrelated to repair or replacement of the Additional Improvements), and Landlord shall have no interest in the proceeds of such insurance.

14.4 PAYMENT. Tenant's Share of the premiums for the insurance obtained by Landlord pursuant to Paragraph 14.2 shall be deemed an Operating Expense hereunder. Upon request by Tenant, Landlord shall consult with Tenant and reasonably cooperate with Tenant to achieve the mix of premium amounts and deductible amounts for such insurance that are satisfactory to Tenant; provided that, Landlord's determination of the amounts thereof shall be final and Tenant's comments regarding same shall be advisory only. Tenant shall pay to Landlord the entire amount of any deductibles and other amounts not paid by Landlord's insurance carriers relating to claims under Landlord's insurance policies resulting from the acts or omissions of Tenant, or its agents, employees, and invitees. Tenant shall pay such deductibles to Landlord within thirty (30) days after receipt by Tenant of a copy of reasonable evidence of the amount due. Notwithstanding the foregoing, Landlord may obtain liability insurance and property insurance for the Project separately, or together with other buildings and improvements under blanket policies of insurance. In the latter case Tenant shall be liable for only such portion of the premiums for such blanket policies as are allocable to the Premises, as reasonably determined by the insurer or Landlord. If the term of this Lease does not commence or expire concurrently with the commencement or expiration, respectively, of the period covered by such insurance, Tenant's liability for premiums shall be prorated on an annual basis.

14.5 INSURANCE POLICIES. The insurance required to be obtained by Tenant pursuant to this paragraph shall be primary insurance and (a) shall provide that the insurer shall be liable for the full amount of the loss up to and including the total amount of liability set forth in the declarations without the right of contribution from any other insurance coverage of Landlord, (b) shall be in a form and contain a deductible amount satisfactory to Landlord, (c) shall be carried with companies acceptable to Landlord, and (d) shall specifically provide that such policies shall not be subject to cancellation, reduction of coverage or other change except after at least fifteen (15) days prior written notice to Landlord. The policy or policies, or duly executed certificates for them, together with satisfactory evidence of payment of the premium thereon, shall be deposited with Landlord on or prior to the Commencement Date, and upon each renewal of such policies, which shall be effected not less than fifteen (15) days prior to the expiration date of the term of such coverage. Tenant shall not do or permit to be done anything which shall invalidate any of the insurance policies referred to in this Paragraph 14.

14.6 WAIVER OF SUBROGATION. Tenant and Landlord each hereby waives any and all rights of recovery against the other, or against the officers, employees, agents and representatives of the other, for loss of or damage to the property of the waiving party or the property of others under its control, where such loss or damage is insured against under any insurance policy carried by Landlord or Tenant and in force at the time of such loss or damage. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease. Landlord and Tenant shall use their best efforts to cause each insurance policy obtained by such party to provide that the insurance company waives all rights of recovery by way of subrogation against the other party in connection with any damage covered by such policy and, if any such waiver of subrogation is not obtained, shall promptly notify the other party of such fact.

14.7 NO LIMITATION OF LIABILITY. Landlord makes no representation that the limits of liability specified to be carried by Tenant or Landlord under the terms of this Lease are adequate to protect any party. If Tenant believes that the insurance coverage required under this Lease is insufficient to adequately protect Tenant, Tenant shall provide, at its own expense, such additional insurance as Tenant deems adequate.

15. Damage or Destruction.

15.1 PARTIAL DAMAGE - INSURED. Subject to the provisions of Paragraphs 15.3 and 15.4 below, if the Premises or the Building, as the case may be, are damaged such that restoration thereof can in Landlord's reasonable estimation be completed within two hundred ten (210) days, and the damage is caused by a peril required to be insured against by Landlord pursuant to Paragraph 14, Landlord shall at Landlord's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. In the event Landlord maintains earthquake insurance (which the parties acknowledge Landlord is not obligated by this Lease to carry), then subject to the provisions of Paragraphs 15.3 and 15.4 below, if the Premises or the Building, as the case may be, are damaged such that restoration thereof can in Landlord's reasonable estimation be completed within two hundred ten (210) days, and the damage is caused by earthquake, Landlord shall, subject to the following provisions of this Paragraph 15.1, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. At such time as the amount of the deductible for the earthquake damage is determined by the insurance company and Landlord agrees to such amount, Landlord shall deliver notice thereof to Tenant. On or before the Tenant's Share Payment Date (as defined below), Tenant

shall deliver to a depository in accordance with the provisions of Paragraph 15.10 the following sums in cash or other readily available funds: (i) 43.4% of the amount by which the amount of such deductible exceeds Fifty Thousand Dollars (\$50,000), provided that Tenant shall not be obligated to pay more than 43.4% of Fifty Thousand Dollars (\$50,000) under this subparagraph (i), and (ii) 43.4% of one half of the amount by which such deductible exceeds One Hundred Thousand Dollars (\$100,000). The formula set forth in the preceding sentence is based upon the Landlord paying the first Fifty Thousand Dollars (\$50,000) of the earthquake deductible, all tenants in the Building together paying the next Fifty Thousand Dollars (\$50,000) of the earthquake deductible, and Landlord on the one hand and said Building tenants on the other hand each paying one half of any earthquake deductible amount exceeding One Hundred Thousand Dollars (\$100,000) (all such amounts payable by all tenants of the Building herein called the "Aggregate Building Tenants' Share"). The "Tenant's Share Payment Date" shall mean (i) fifteen (15) days after Landlord delivers notice to Tenant of the deductible amount if the amount of the earthquake deductible payable by Tenant pursuant to the foregoing is Fifty Thousand Dollars (\$50,000) or less, and (ii) forty five (45) days after Landlord delivers notice to Tenant of the deductible amount if the amount payable by Tenant is more than Fifty Thousand Dollars (\$50,000). In the event Tenant fails to pay such amount for any reason by the Tenant's Share Payment Date, or in the event Landlord does not receive by the Tenant's Share Payment Date the Aggregate Building Tenants' Share, then Landlord shall have no obligation to commence or complete repair of such earthquake damage, and shall be entitled to terminate this Lease by delivery to Tenant of notice of such termination within ten (10) days after the Tenant's Share Payment Date; provided that Landlord shall be entitled to, but shall have no obligation to, repair all such earthquake damage at Landlord's expense, including payment of the deductible, such election to so repair to be made by Landlord's delivery of notice thereof to Tenant within ten (10) days after the Tenant's Share Payment Date, in which event this Lease shall remain in full force and effect.

15.2 PARTIAL DAMAGE - UNINSURED. Subject to the provisions of Paragraphs 15.3 and 15.4, if at any time during the term hereof the Premises are damaged and the damage is caused by a peril (other than earthquake) not required to be insured by Landlord pursuant to Paragraph 14, Landlord may at Landlord's option either (a) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (b) give written notice of termination of this Lease to Tenant within thirty (30) days after the date of the occurrence of such damage, with the effective date of such termination to be the date of the occurrence of such damage. In the event Landlord gives such notice of termination of this Lease, Tenant shall have the right, within ten (10) days after receipt

of such notice, to agree in writing on a basis satisfactory to Landlord to pay for the entire cost of repairing such damage less only the amount of insurance proceeds, if any, received by Landlord, in which event the notice of termination shall be ineffective and this Lease shall continue in full force and effect, and Landlord shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within such ten (10) day period, this Lease shall be terminated pursuant to such notice of termination by Landlord.

15.3 TOTAL DESTRUCTION. If at any time during the term hereof the Premises are destroyed such that restoration thereof cannot in Landlord's reasonable estimation be completed in two hundred ten (210) days, from any cause whether or not covered by the insurance maintained pursuant to Paragraph 14, this Lease shall at the election of Landlord or Tenant terminate as of the date of such destruction. Landlord and Tenant shall exercise their respective rights to terminate this Lease under this subparagraph 15.3 by delivery of notice of termination to the other within thirty (30) days after Landlord notifies Tenant of the estimated period of restoration. In the event neither party elects to so terminate this Lease, Landlord shall at Landlord's expense repair such damage, and restore the Premises and the Tenant Improvements to their condition existing immediately prior to such damage as soon as reasonably possible, and this Lease shall continue in full force and effect.

15.4 DAMAGE NEAR END OF TERM. If the Premises are destroyed or damaged in whole or in part to the extent of One Hundred Thousand Dollars (\$100,00.00) or more whether from an insured or uninsured casualty, during the last year of the term of this Lease, either party may at its option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to the other party within thirty (30) days after the date of occurrence of such damage. Notwithstanding the foregoing, if Tenant is then entitled to exercise any option to extend the term of this Lease pursuant to other provisions of this Lease, and Tenant exercises such option in accordance with such provision, then this Lease shall not be terminated under this subparagraph (although it may be terminated in accordance with subparagraph 15.3 above or other provisions of this Lease, to the extent applicable).

15.5 ABATEMENT OF RENT. Notwithstanding anything to the contrary contained in this Lease, if the Premises are damaged, the Base Rent payable hereunder for the period commencing on the occurrence of such damage shall be abated until completion of repair or restoration of such damage, or termination of the Lease (if the Lease is terminated pursuant to other provisions of this Lease). Such abatement of Base Rent shall be in proportion to the extent to which Tenant's use of the Premises is impaired during said period of time; provided that, nothing herein shall

be construed to preclude Landlord from being entitled to collect the full amount of any rental loss insurance proceeds. In addition to abatement of Base Rent, Tenant's obligation to pay Operating Expenses shall also be abated to the extent of proceeds therefor, if any, received by Landlord under the rent abatement policy required to be maintained by Landlord under Paragraph 14.2 above. Except for such abatement of Base Rent and Operating Expenses, if any, and subject to Paragraph 13.2, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration.

15.6 WAIVER. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4), and any similar or successor statutes relating to termination of leases when the thing leased is substantially or entirely destroyed, and agrees that any such occurrence shall instead be governed by the terms of this Lease.

15.7 TENANT'S PROPERTY. Landlord's obligation to rebuild or restore shall not include restoration of the Additional Improvements, or Tenant's trade fixtures, equipment, merchandise, or any other improvements, alterations or additions made by Tenant to the Premises after the Commencement Date or made by PSC at any time during its occupancy of the Premises from 1985 through May of 1995.

15.8 NOTICE OF DAMAGE. Tenant shall notify Landlord within five (5) days after the occurrence thereof of any damage to all or any portion of the Premises. In no event shall Landlord have any obligation to repair or restore the Premises pursuant to this Paragraph 15 until a reasonable period of time after Landlord's receipt of notice from Tenant of the nature and scope of any damage to the Premises, and a reasonable period of time to collect insurance proceeds arising from such damage (unless such damage is clearly not covered by insurance then in effect covering the Premises). Landlord shall proceed diligently to collect insurance proceeds, and shall commence any obligation it may have to repair the Premises as promptly as reasonably possible.

15.9 REPLACEMENT COST. The determination by a third party expert or consultant, selected by Landlord in its reasonable discretion, of the estimated period of repair of any damage shall be conclusive for purposes of this Paragraph 15. Such determination shall be made within thirty (30) days of the date of damage, provided Tenant notifies Landlord of such damage in accordance with subparagraph 15.8 above.

15.10 DISBURSEMENT ACCOUNT. In the event Landlord is required to restore the Premises pursuant to any of the provisions of this Paragraph 15, then Landlord shall deposit any insurance proceeds received in connection therewith with

an institutional trustee or other depository reasonably acceptable to Tenant, and the proceeds of such insurance shall be drawn from time to time to cover costs of such restoration only upon submission by Landlord of invoices for such costs or other reasonable evidence of Landlord of the costs incurred to the date of such requested draw.

16. Condemnation.

16.1 PARTIAL TAKING. Subject to Paragraph 16.5, if part of the Premises is taken for any public or quasi-public use, under any statute or right of eminent domain (collectively a "taking"), and a part of the Premises remains which is reasonably suitable for Tenant's continued occupancy for the uses permitted by this Lease, and a portion of the parking area within the Project remains which is equivalent to at least eighty percent (80%) of the parking area in the Project as of the Commencement Date, this Lease shall, as to the part so taken, terminate as of the date the condemnor or purchaser takes possession of the property being taken, and the monthly Base Rent payable hereunder shall be reduced in the same proportion that the floor area of the portion of the Premises so taken bears to the floor area of the Premises immediately prior to such taking. Landlord shall, at its own cost and expense, make all necessary repairs or alterations to the Premises in order to make the portion of the Premises not taken a complete architectural unit. Such work shall not, however, exceed the scope of the work done by Landlord in originally constructing the Premises. Each party hereto waives the provisions of California Code of Civil Procedure Section 1265.130 allowing either party to petition the superior court to terminate this Lease in the event of a partial taking of the Premises.

16.2 TOTAL TAKING. Subject to Paragraph 16.5, if all of the Premises are taken, or such part thereof is taken so that there does not remain a portion of the Premises suitable for Tenant's continued occupancy for the uses permitted hereunder, or more than twenty percent (20%) of the parking area in the Project as of the Commencement Date is taken, such taking shall be treated as a total taking and this Lease shall terminate upon the date possession shall be taken by the condemning authority.

16.3 DISTRIBUTION OF AWARD. All compensation awarded upon a taking governed by Paragraph 16.1 or Paragraph 16.2 shall belong to and be paid to Landlord, except that Tenant shall be entitled to make a separate claim to the taking authority for all losses it suffers as a consequence of the taking, including losses relating to loss of use of the Additional Improvements.

16.4 SALE UNDER THREAT OF CONDEMNATION. A sale by Landlord to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed a taking under the power of eminent domain for purposes of this Paragraph 16.

16.5 TEMPORARY TAKING. If all or any part of the Premises is occupied, taken, or appropriated by military or other public or quasi-public use or other governmental authority for less than one hundred eighty (180) consecutive days, it shall not constitute a taking of the Premises which would be governed by Paragraph 16.1 or Paragraph 16.2. In such event, during such a "temporary taking," all of the provisions of this Lease shall remain in force and effect, except that the monthly Base Rent and Operating Expenses payable during such temporary taking shall be reduced in the same proportion that the floor area of the portion of the Premises so occupied, taken, or appropriated bears to the floor area of the Premises as of the day immediately preceding the occupation, taking, or appropriation. Any award that may be paid in connection with such a temporary taking shall be paid to Landlord. In the event a taking which appears, at its commencement, to be only a temporary taking nevertheless continues for one hundred eighty (180) consecutive days or more, a partial or total taking, as the case may be, shall be deemed to have occurred on the one hundred eightieth (180th) consecutive day of such taking, and shall be governed by the provisions of either Paragraph 16.1 or Paragraph 16.2 as the case may be.

17. Assignment and Subletting.

 17.1 PROHIBITION OF ASSIGNMENT AND SUBLETTING. Tenant shall not assign this Lease, or any interest therein, voluntarily or involuntarily, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the agents and servants of Tenant excepted) to occupy or use the Premises, or any portion thereof, without the prior written consent of Landlord in each instance pursuant to the terms and conditions set forth below, which consent shall not unreasonably be withheld or delayed beyond the twenty (20) day period specified in Paragraph 17.2. Any assignment or subletting by Tenant without the written consent of Landlord shall be void and shall, at the option of Landlord, terminate this Lease.

17.2 DOCUMENTATION. Prior to any assignment or sublease which Tenant desires to make, Tenant shall provide to Landlord the name and address of the proposed assignee or sublessee, a statement of the proposed use of the Premises by the assignee or sublessee (including an indication of the extent to and manner in which Hazardous Materials will be utilized), and true and complete copies of all documents relating to Tenant's prospective agreement to assign or sublease, and shall specify all

consideration to be received by Tenant for such assignment or sublease in the form of lump sum payments, installments of rent, or otherwise. For purposes of this Paragraph 17, the term "consideration" shall include, without limitation, all monies or other consideration of any kind, if such sums are related to Tenant's interest in this Lease or in the Premises, including but not limited to, bonus money, and payments (in excess of book value thereof) for Tenant's assets, fixtures, inventory, accounts, good will, equipment, furniture, general intangibles, and any capital stock or other equity ownership of Tenant. Within twenty (20) days after the receipt of such written notice, Landlord shall either consent in writing to such proposed assignment or sublease subject to the terms and conditions hereinafter set forth, or notify Tenant in writing that Landlord refuses such consent, specifying reasonable grounds for such refusal.

17.3 TERMS AND CONDITIONS. As a condition to Landlord's granting its consent to any assignment or sublease, Tenant and the proposed assignee or sublessee must demonstrate to Landlord's reasonable satisfaction that the assignee or sublessee is financially responsible and that the proposed use does not pose an unreasonable risk (as determined by Landlord in its reasonable discretion) of contamination of the Project with Hazardous Materials and is not otherwise injurious to the Premises. Without limiting the generality of the foregoing, Landlord shall be entitled to withhold consent to any proposed assignment of this Lease unless Tenant demonstrates to the reasonable satisfaction of Landlord that the proposed assignee has a net worth equal to at least the greater of (a) Eleven Million Dollars (\$11,000,000.00), or (b) such greater net worth as Analog Devices, Inc. or its successor may have at the time of such proposed assignment, up to Eighteen Million Dollars (\$18,000,000.00). As a condition for granting its consent to any proposed assignment or subletting, Landlord may require that Tenant agree to pay to Landlord, as additional rent, as and when received by Tenant, and after first deducting reasonable real estate brokerage commissions and attorneys' fees, if any, incurred in connection with such assignment or subletting, fifty percent (50%) of the excess, if any, of (i) the fair market value rent (triple net) of the Premises, determined as set forth below, assuming such amount is payable for the duration of the term of such assignment or sublease, over (ii) the Base Rent payable by Tenant to Landlord under the Lease at the time of such sublease or assignment, assuming such amount is payable for the duration of the term of such assignment or sublease. The fair market value rent for the Premises, for purposes of the preceding sentence, shall be determined without regard to the value added to the Premises by the specialized additions and improvements to the Premises installed by Tenant at its own expense or previously installed by PSC at PSC's expense solely for its manufacturing business on the Premises, such as clean rooms, process equipment, and trade fixtures. In the event Landlord and Tenant are unable to agree upon the fair market value rent

of the Premises, the dispute shall be arbitrated in accordance with the rules of the American Arbitration Association.

Tenant may assign its interest in the Lease without the prior written consent of Landlord to any corporation which controls or is controlled by Analog Devices, Inc., or any corporation which results from a merger or consolidation with Analog Devices, Inc.; provided that such assignment is made to an entity that satisfies the net worth criteria set forth hereinabove.

Each assignment or sublease agreement to which Landlord has consented shall be an instrument in writing in form satisfactory to Landlord, and shall be executed by both Tenant and the assignee or sublessee, as the case may be. Each such assignment or sublease agreement shall recite that it is and shall be subject and subordinate to the provisions of this Lease, that the assignee or sublessee accepts such assignment or sublease and agrees to perform all of the obligations of Tenant hereunder, and that the termination of this Lease shall, at Landlord's sole election, constitute a termination of every such assignment or sublease. In the event Landlord shall consent to an assignment or sublease, Analog Devices, Inc. shall nonetheless remain primarily liable for all obligations and liabilities of Tenant under this Lease, including but not limited to the payment of rent.

18. Events of Default and Remedies.

18.1 EVENTS OF DEFAULT. A breach of this Lease shall exist if any of the following events (hereinafter referred to as "Event of Default") shall occur:

(1) Failure of Tenant to pay within five (5) days after delivery of notice from Landlord that any installment of rent of other payment required to be made by Tenant hereunder is due;

(2) Tenant's failure to perform any other term, covenant or condition contained in this Lease and such failure shall have continued for thirty (30) days after written notice of such failure is delivered to Tenant or such longer period as may reasonably be necessary to cure such failure provided Tenant commences such cure within said thirty (30) days and thereafter diligently prosecutes the same to completion;

(3) Tenant's vacating or abandonment of Premises;

(4) Tenant's assignment of its assets for the benefit of its creditors;

(5) The sequestration of, attachment of, or execution on, any substantial part of the property of Tenant or on a property essential to the conduct of Tenant's business, shall have occurred and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment of whichever is earlier; or

(6) A court having jurisdiction shall have made or entered any decree or order (a) adjudging Tenant to be bankrupt or insolvent, (b) approving as properly filed a petition seeking reorganization of Tenant or an arrangement under the bankruptcy laws or any other applicable debtors' relief law or statute of the United States or any State thereof, (c) appointing a receiver, trustee or assignee of Tenant in bankruptcy or insolvency or for its property, or (d) directing the winding up or liquidation of Tenant; and such decree or order shall have continued for a period of thirty (30) days; or Tenant shall have voluntarily submitted to or filed a petition seeking any such decree of order.

18.2 REMEDIES. Upon any Event of Default, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cumulatively, or in the alternative:

(1) RECOVERY OF RENT. Landlord shall be entitled to keep this Lease in full force and effect (whether or not Tenant shall have abandoned the Premises) and to enforce all of its rights and remedies under this Lease, including the right to recover rent and other sums as they become due, plus interest at the rate of ten percent (10%) per annum from the due date of each installment of rent or other sum until paid.

(2) TERMINATION. Landlord may terminate this Lease by giving Tenant written notice of termination. On the giving of such notice all Tenant's rights in the Premises and the Building and parcel of which the Premises are a part shall terminate. Upon the giving of the notice of termination, Tenant shall surrender and vacate the Premises in the condition required by Paragraph 26, and Landlord may reenter and take possession of the Premises and all the remaining improvements and property and eject Tenant or any of Tenant's subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. This Lease may also be terminated by a judgement specifically providing for termination. Any termination under this paragraph shall not release Tenant from the payment of any sum then due Landlord or from any claim for damages or rent previously accrued or then accruing against Tenant. In no event shall any one or more of the following actions by Landlord constitute a termination of this Lease:

(a) maintenance and preservation of the Premises;

(b) efforts to relet the Premises;

(c) appointment of a receiver in order to protect Landlord's interest hereunder;

(d) consent to any subletting of the Premises or assignment of this Lease by Tenant, whether pursuant to provisions hereof concerning subletting and assignment or otherwise; or

(e) any other action by Landlord or Landlord's agents intended to mitigate the adverse effects from any breach of this Lease by Tenant.

(3) DAMAGES. In the event this Lease is terminated pursuant to subparagraph 18.2(2) above, Landlord shall be entitled to damages in the following sums:

(a) the worth at the time of award of the unpaid rent which had been earned at the time of termination; plus

(b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and

(d) any other amounts necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom including, without limitation, the following: (i) expenses for cleaning, repairing or restoring the Premises; (ii) expenses for altering, remodeling or otherwise improving the Premises for the purposes of reletting; (iii) costs of carrying the Premises such as taxes and insurance premiums thereon, utilities and security precautions; (iv) expenses in retaking possession of the Premises; (v) attorneys' fees and court costs; and (vi) any unamortized real estate brokerage commission paid in connection with this Lease.

(e) The "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) of this paragraph is computed by allowing interest at the rate of ten percent (10%) per annum. The "worth at the time of award" of the amount referred to in subparagraph (c) of this paragraph is computed by discounting such amount at the discount rate of the Federal Reserve Board of San Francisco at the time of award plus one percent (1%). The term "rent" as used in this paragraph shall include all sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease.

19. ADVERTISEMENTS AND SIGNS. Tenant shall not place or permit to be placed any sign, display, advertisement, or decoration ("sign") on the exterior of the Building, or elsewhere in the Project or on the Premises, without the prior written consent of Landlord as to the color, size, style, character, content, and location of each such sign. Upon termination of this Lease, Tenant shall remove any sign which it has placed in the Project or on the Premises or the Building, and shall repair any damage caused by the installation or removal of such sign.

20. ENTRY BY LANDLORD. Landlord and its agents shall be entitled to enter into and upon the Premises at all reasonable times, upon reasonable notice (except in the case of an emergency, in which event no notice shall be required), for the following purposes: (i) to perform Landlord's maintenance and repair responsibilities; (ii) to post notices of non-responsibility for alterations, additions, or repairs; or (iii) to place upon the Premises any ordinary "for sale" signs and to show the Premises to prospective purchasers or lenders; and, during the ninety (90) day period prior to the expiration of this Lease, or upon any Event of Default, to place upon the Premises any usual or ordinary "for lease" signs and exhibit the Premises to prospective tenants at reasonable hours.

Landlord's rights of entry as set forth in this Paragraph 20 shall be subject to the reasonable security regulations of Tenant, and to the requirement that Landlord use reasonable efforts to minimize interference with Tenant's business activities on the Premises.

21. Subordination and Attornment.

Notwithstanding anything contained in this Lease, and except with respect to any existing deeds of trust or other liens encumbering the Project or any portion thereof as of the Commencement Date (which the parties acknowledge are prior to this Lease, subject to such rights as Tenant may receive in the event a non-disturbance agreement is obtained from the beneficiary of such deed of trust or other lienholder

concurrently with the execution of this Lease), this Lease shall not be subject to or subordinate to any ground or underlying lease or to any lien, mortgage, deed of trust, or security interest now or hereafter affecting the Premises, nor shall Tenant be required to execute any documents subordinating this Lease, unless the ground lessor, lender, or other holder of the interest to which this Lease shall be subordinated agrees to execute a recognition and non-disturbance agreement in substantially the form set forth on EXHIBIT "E".

22. ESTOPPEL CERTIFICATES AND FINANCIAL STATEMENTS. Tenant shall within seven (7) days following request by Landlord: (a) execute and deliver to Landlord any documents, including estoppel certificates, in the form presented to Tenant by Landlord (1) certifying that this Lease has not been modified and is in full force and effect or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (2) stating the date to which the rent and other charges are paid in advance, if at all, (3) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, and (4) evidencing the status of this Lease as may be required either by a lender making a loan to Landlord to be secured by a deed of trust or mortgage encumbering the premises or a purchaser of the premises from Landlord; and (b) deliver to Landlord the best available current (and public, if the stock of Tenant is publicly traded over a United States nationally recognized stock exchange) financial statements of Tenant with an opinion of a certified public accountant, if available, including a balance sheet and profit and loss statement for the then current fiscal year, and the two (2) immediately prior fiscal years (if available), all prepared in accordance with generally accepted accounting principles consistently applied. Landlord shall only be entitled to request such financial statements in connection with an intended disposition or refinancing of the Building.

Landlord shall within seven (7) days following request by Tenant, provided such request is made only in connection with a proposed assignment or sublease of Tenant's interest in this Lease pursuant to Paragraph 17 above: (a) execute and deliver to Tenant an estoppel certificate in the form presented to Landlord by Tenant (1) certifying that this Lease has not been modified and is in full force and effect or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (2) stating the date to which the rent and other charges are paid in advance, if at all, and (3) acknowledging that there are not, to Landlord's knowledge, any uncured defaults on the part of Tenant hereunder, or if there are uncured defaults on the part of Tenant, stating the nature of such uncured defaults.

23. NOTICES. Any notice, approval, request, demand, or consent (collectively "notice") required or desired to be given under this Lease shall be in writing and shall be personally served or delivered by commercial courier (with signed receipt) or United States mail, registered or certified, postage prepaid, and addressed to the party to be served at the last address given by that party to the other party under the provisions of this paragraph. At the date of execution of this Lease, the addresses of Landlord and Tenant are as set forth above in the preamble to this Lease. Either party may change its address by notice to the other party. Any notice delivered by United States mail pursuant to this paragraph shall be deemed to have been delivered five (5) days after the posted date of mailing.

24. WAIVER. The waiver by either party of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. No term, covenant or condition shall be deemed to have been waived by either party unless such waiver is in writing and signed by the party making such waiver.

25. ATTORNEY'S FEES. If any action proceeding at law or in equity, or an arbitration proceeding (collectively an "action"), shall be brought to recover any rent under this Lease, or for or on account of any breach of or to enforce or interpret any of the terms, covenants, or conditions of this Lease, or for the recovery of possession of the Premises, the prevailing party shall be entitled to recover from the other party as a part of such action, or in a separate action brought for that purpose, its reasonable attorney's fees and costs and expenses (including expert witness fees) incurred in connection with the prosecution or defense of such action. "Prevailing party" within the meaning of this paragraph shall include, without limitation, a party who brings an action against the other after the other is in breach or default, if such action is dismissed upon the other's payment of the sums allegedly due or upon the other's performance of the covenants allegedly breached, or if the party commencing such action or proceeding obtains substantially the relief sought by it in such action, whether or not such action proceeds to a final judgment or determination.

26. SURRENDER. Tenant shall, upon expiration or sooner termination of this Lease, surrender the Premises to Landlord with all Additional Improvements removed and all damage occasioned by such removal repaired, and otherwise in good and clean

broom swept condition (reasonable wear and tear and damage due to causes beyond the reasonable control of Tenant excepted) with the HVAC equipment serving the Premises in operating order and in good repair. Tenant, on or before the expiration or sooner termination of this Lease, shall remove all of its personal property and trade fixtures from the Premises. If the Premises are not so surrendered at the expiration or sooner termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Premises, including without limitation, any claims made by any succeeding tenant founded on such delay, and losses to Landlord due to lost opportunities to lease to succeeding tenants.

27. **HOLDING OVER.** This Lease shall terminate without further notice at the expiration of the Lease term. Any holding over by Tenant after expiration shall not constitute a renewal or extension of the Lease term or give Tenant any rights in or to the Premises unless otherwise expressly provided in this Lease. Any holding over after expiration of the Lease term with the express written consent of Landlord shall be construed to be a tenancy from month to month, at one hundred fifty percent (150%) of the monthly Base Rent for the last month of the Lease term, and shall otherwise be on the terms and conditions herein specified insofar as applicable, unless otherwise mutually agreed in writing by the parties.

28. **TRANSFER OF PREMISES BY LANDLORD.** The term "Landlord" as used in this Lease, so far as the covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title to the Premises. In the event of any transfer of such fee title, the Landlord herein named (and in case of any subsequent transfer or conveyance, the then grantor) shall after the date of such transfer or conveyance be automatically freed and relieved of all liability with respect to performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed; provided, that any funds in the hands of Landlord or the then grantor at the time of such transfer in which Tenant has an interest, shall be turned over to the grantee. The covenants and obligations contained in this Lease on the part of Landlord shall, subject to the foregoing, be binding upon each Landlord hereunder only during his or its respective period of ownership.

29. **Option(s) to Extend Term.**

 29.1 **EXERCISE OF OPTION.** Subject to the provisions of this Paragraph 29, Tenant shall have the right to extend the term of this Lease for three (3) additional periods of five (5) years each, unless the term is sooner terminated as provided in this Lease. Unless otherwise expressly agreed in writing by the parties hereto, the term of

this Lease shall in no event extend beyond March 31, 2015. Tenant shall exercise each of such rights, if at all, only by giving Landlord written notice of exercise of such right on or before nine (9) months prior to the then scheduled expiration date of the Lease term, and only if Tenant is not in default under this Lease when Tenant exercises such right (provided, Tenant has received notice of such default and has not cured said default within the time permitted for such cure). If Tenant fails to exercise any such rights to extend in accordance with this Paragraph 29, such right shall terminate. The second right to extend may be exercised only if the first right to extend has previously been properly exercised, and the third right to extend may be exercised only if the second right to extend has previously been properly exercised. If Tenant exercises any such rights in accordance with this Paragraph 29, the term of this Lease shall be extended for one period of five (5) years subject to the agreements, covenants, conditions, and provisions set forth in this Lease, except for the amount of Base Rent payable by Tenant, which shall be determined as set forth in Paragraph 29.2.

29.2 RENT DURING EXTENDED TERM. The monthly Base Rent during each such extended term of this Lease shall initially be equal to the fair market rent of the Premises as of the commencement date of such extended term. Such fair market rent shall take into account the rent adjustment mechanism to be employed during such extended term.

The parties shall have thirty (30) days after Landlord receives notice of Tenant's exercise of its right to extend the term in which to agree on minimum monthly Base Rent during the extended term. If the parties agree on the minimum monthly Base Rent for the extended term during such thirty (30) day period, they shall immediately execute an amendment to this Lease stating the minimum monthly Base Rent for such extended term.

If the parties are unable to agree on the minimum monthly Base Rent for the extended term within such thirty (30) day period, then within said thirty (30) days each party, at its cost and by giving notice to the other party, shall appoint an appraiser with at least five (5) years' full time commercial appraisal or brokerage experience in the Sunnyvale area to appraise and set the minimum monthly Base Rent for the extended term. Said appraisers shall be instructed to determine the fair market rent for the Premises within thirty (30) days after their appointment, and to base their determination on the rent which will be applicable as of the commencement of the applicable extended term for comparable space in comparable buildings in comparable geographic areas leased on terms comparable to this Lease, taking into account the rent adjustment mechanism to be employed during such extended term. Such rent determination shall not take into account improvements to

the Premises made by Tenant or on Tenant's behalf at Tenant's sole expense, or any Additional Improvements. If the higher appraisal of rent is not more than one hundred five percent (105%) of the lower appraisal of rent, the average of their appraised values shall be adopted by the parties. If the higher appraisal is greater than one hundred five percent (105%) of the lower, then the two appraisers shall within five (5) days of the initial appraisal determinations appoint a third appraiser who shall make his determination within thirty (30) days of his appointment, and the two closest in dollar terms of the three offered rent determinations shall be averaged and adopted by the parties as the monthly Base Rent during the upcoming extended term. In no event shall the Base Rent determined by the appraisers be less than the then existing monthly Base Rent. In the event the Base Rent so determined is higher than Tenant's highest previously negotiated offer Tenant may elect, by written notice to Landlord within three (3) days after receipt of the appraisers' determination, to terminate this Lease effective as of the date this Lease would have expired but for Tenant's earlier exercise of said option to extend the term, in which event Tenant's earlier exercise of said option shall be deemed rescinded. Tenant shall pay all costs of the appraisers in the event Tenant so elects to rescind its exercise and terminates this Lease.

29.3 RENTAL ADJUSTMENTS DURING EXTENDED TERM. The Base Rent during the first, or if it is the case, the second or third extended term, determined pursuant to Paragraph 29.2 of this Lease shall be adjusted annually throughout such term to reflect any increase in the cost of living during the extended term in the manner specified in Paragraph 3.2 with respect to the initial term. For the purposes of this paragraph, all other definitions set forth in Paragraph 3.2 of this Lease shall apply, except that the term "base" shall mean the last published Index in effect on the first day of the extended term in question.

30. PARKING. Tenant shall have the nonexclusive use of Tenant's Share of the parking spaces in the Outside Areas as designated from time to time by Landlord. Tenant shall not at any time park or permit the parking of Tenant's trucks or other vehicles, or trucks or other vehicles of others, adjacent or loading areas so as to interfere in any way with the use of such areas, nor shall Tenant at any time park or permit the parking of Tenant's vehicles or trucks, or the vehicles or trucks of Tenant's suppliers or others, in any portion of the Outside Areas not designated by Landlord for such use by Tenant. Tenant shall not park or permit to be parked any inoperative vehicles or equipment on any portion of the Outside Areas.

31. REASONABLE CONSENT. Whenever any party's approval or consent is required by this Lease, such consent or approval shall not be unreasonably withheld or delayed.

32. Cure Period.

32.1 CURE BY LANDLORD. Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligation within the period of time specifically provided herein, or if no period of time has been provided, then within thirty (30) days after receipt of written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are reasonably required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. It is understood that, for purposes of Paragraphs 9.1, 13 and 10.1, the term "omissions", as used therein, shall mean only omissions by Landlord which if not cured with the time period permitted in this Paragraph 32 would result in a default of Landlord hereunder.

32.2 CURE BY TENANT. In the event Landlord is deemed in default with respect to its obligation to repair and maintain the roof of the Building as provided elsewhere in this Lease, Tenant shall be entitled, after written notice to such effect to Landlord, to make such repairs and shall have the right to demand reimbursement by Landlord of the cost thereof, with interest thereon at the rate of ten percent (10%) or the highest rate allowed by law, whichever is less, from the date of the expenditure until repaid. In addition, in the event a condition exists with respect to any portion of the Premises which Landlord is required to repair under the Lease, and such condition is the direct and immediate cause of an emergency situation which presents a clear and present threat to the physical safety of persons on or about the Premises or of property of Tenant or its agents, employees, or contractors located on or about the Premises, then subject to the following, Tenant shall be entitled to make such repairs as are reasonably necessary to reduce such threat to a reasonably acceptable level. As soon as Tenant becomes aware of any such condition, it shall make every reasonable effort to contact Landlord by telephone or in person and inform Landlord of the condition; if upon so informing Landlord of the condition, Landlord elects to correct the condition as soon as Tenant would otherwise be able to correct the condition, then Tenant shall have no right to correct the condition and Landlord shall correct the same. If Tenant is unable to contact Landlord after exhausting reasonable efforts to do so, or does in fact contact Landlord but Landlord does not elect to correct the condition as quickly as Tenant is able to correct the condition, then Tenant shall be entitled to make such repairs and shall have the right to demand reimbursement by Landlord of the cost thereof, with interest thereon at the rate of ten percent (10%) or

the highest rate allowed by law, whichever is less, from the date of the expenditure until repaid.

33. MORTGAGEE PROTECTION. In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed or trust or mortgagee of a mortgage, encumbering the Premises whose address shall have been furnished to Tenant, and before exercising any remedy of Tenant to terminate this Lease, shall allow such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power or sale or judicial foreclosure, if such should prove necessary to effect a cure.

34. General Provisions.

34.1 ENTIRE AGREEMENT. This instrument including the Exhibits attached hereto contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any manner other than by an agreement in writing signed by all of the parties hereto or their respective successors in interest. Any executed copy of this Lease shall be deemed an original for all purposes.

34.2 TIME. Time is of the essence with respect to the performance of each and every provision of this Lease in which time of performance is a factor. All references to days contained in this Lease shall be deemed to mean calendar days, unless otherwise specifically stated.

34.3 CAPTIONS. The captions and headings of the numbered paragraphs of this Lease are inserted solely for the convenience of the parties hereto, and are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

34.4 CALIFORNIA LAW. This Lease shall be construed and interpreted in accordance with the laws of the State of California. The language in all parts of this Lease shall in all cases be construed as a whole according to its fair meaning and not strictly for or against either Landlord or Tenant, and without regard to which party prepared this Lease.

34.5 PARTIAL INVALIDITY. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall nonetheless continue in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

34.6 NO WARRANTIES. Any agreements, warranties or representations not expressly contained herein shall not bind either Landlord or Tenant, and Landlord and Tenant expressly waive all claims for damages by reason of any statement, representation, warranty, promise or agreement, if any, not expressly contained in this Lease.

34.7 SUCCESSORS AND ASSIGNS. The covenants and conditions herein contained, subject to the provisions as to assignment, shall inure to the benefit of and bind the heirs, executors, administrators, assigns, and any other person or entity succeeding lawfully, and pursuant to the provisions of this Lease, to the rights or obligations of the respective parties hereto.

34.8 RULES AND REGULATIONS. Landlord may from time to time promulgate reasonable rules and regulations for the use, safety, care and cleanliness of the Premises and the Project. Such rules and regulations shall be binding upon Tenant upon delivery of a copy thereof to Tenant, and Tenant shall abide by all such rules and regulations. If there is a conflict between such rules and regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail.

34.9 AUTHORITY. The individuals signing this Lease hereby represent and warrant that they have all necessary power and authority to execute and deliver this Lease on behalf of Landlord and Tenant, respectively.

34.10 MEMORANDUM OF LEASE. This Lease shall not be recorded. Concurrently with execution of this Lease, the parties shall execute and acknowledge a short form memorandum of this Lease in the form attached hereto as EXHIBIT "F". Simultaneously with execution of such memorandum, Tenant shall execute and deliver to Landlord for recordation upon the expiration or sooner termination of this Lease, a quitclaim deed to the Premises, in recordable form, designating Landlord as transferee. Any recordation by Landlord of such quitclaim deed prior to expiration or sooner termination of this Lease shall be deemed a default by Landlord hereunder. In the event Landlord later transfers its interest in the Premises prior to expiration or sooner termination of this Lease, such quitclaim deed shall be relinquished to Tenant and Tenant shall simultaneously execute and deliver to Landlord a new quitclaim deed designating Landlord's successor in interest as the transferee, which quitclaim deed shall again only be recorded upon expiration or sooner termination of this Lease.

34.11 REASONABLE EXPENDITURES. An expenditure by a party, for which such party shall demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred, and

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shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

34.12 AMENDMENTS TO ACCOMMODATE LENDERS. Tenant agrees to execute any amendments required by a lender to enable Landlord to obtain replacement permanent financing so long as Tenant's rights and obligations hereunder are not materially adversely affected and provided such amendments are of the type normally required by such lender for similar loans. Tenant shall not have any obligations under any such agreements unless and until Tenant signs the same.

34.13 MERGER. The voluntary or other surrender of this Lease, or a mutual cancellation thereof, shall not work an automatic merger, but shall, at the sole option of Landlord, either terminate all or any existing subleases or subtenancies, or operate as an assignment to Landlord of any or all of such subleases or subtenancies.

34.14 FORCE MAJEURE. Any prevention of or delay in the performance by a party hereto of its obligations under this Lease caused by inclement weather, labor disputes (including strikes and lockouts), inability to obtain materials or reasonable substitutes therefor, governmental restrictions, regulations, controls, action or inaction, civil commotion, fire or other causes beyond the reasonable control of the party obligated to perform (except financial inability), shall excuse the performance by such party of its obligations hereunder (except the obligation of Tenant to pay rent and other sums hereunder) for a period of one day for each such day of delay.

34.15 EXHIBITS. The following exhibits are hereby made a part of this Lease.

Exhibit "A" -- Premises
Exhibit "B" -- Property Description
Exhibit "C" -- Plans and Specifications for Tenant Improvements
Exhibit "D" -- Plans and Specifications for Additional Improvements
Exhibit "E" -- Nondisturbance Agreement
Exhibit "F" -- Memorandum of Lease

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the dates set forth below.

LANDLORD:

TENANT:

FERRARI BROTHERS,
a California general partnership

ANALOG DEVICES, INC.,
a Massachusetts corporation

By: /s/ illegible

By: /s/ illegible

Its General Partners

Its Vice Pres., Finance

Dated: June 16-1996

Dated: June 7, 1995

EXHIBIT "A"
(SCHEMATIC OF FLOOR PLAN)

Legal Description

All that certain real property situate in the city of Sunnyvale, County of Santa Clara, State of California, described as follows:

That portion of Lots 24 and 25, W.E. Crossman's Subdivision No. 3, as shown on a Map recorded in Book K of Maps, page 95, Records of Santa Clara County, California, being more particularly described as follows:

Beginning at a point on the Southeasterly line of Lot 25, as said Lot is shown on the Map of said Tract, said point being the Southeasterly corner of that certain tract of land described in the Deed to the city and County of San Francisco, recorded in Book 2155, Page 377 of Official Records;

thence along the Southeasterly line of said Lot 25, and the Southeasterly line of Lot 24, as shown upon said Map, S 15 degrees 37 minutes 51 seconds W. 367.21 feet, more or less to the Northeasterly corner of that certain tract of land conveyed to the State of California by Deed recorded in Book 4253, Page 92 of Official Records:

thence along the line of the land so conveyed to the State of California N. 70 degrees 09 minutes 03 seconds W. 263.24 feet;

thence along a tangent curve to the right with a radius of 358.00 feet, through an angle of 85 degrees 36 minutes 48 seconds an arc length of 534.94 feet to the property line common to the lands now or formerly of John Kulm, et ux, and of City and County of San Francisco, a municipal corporation; said point being distant thereon S. 73 degrees 35 minutes 22 seconds E. 133.01 feet from the center line of Fair Oaks Avenue, as said Avenue is shown upon said Map herein referred to:

thence Southeasterly along the Southwesterly line of the land of the City and County of San Francisco, 593.47 feet, more or less to the point of beginning.

Exhibit "B"

PERFORMANCE SEMICONDUCTOR

TENANT IMPROVEMENTS
610 E. Weddell Dr. by 1995 definition

Description:

Office Area Construction (22)

Lobby

Conference Rooms (2)

Restroom/Shower Facility

Support Area (maint.)

Light Manufacturing (Rooms 3) Area

Exterior Storage Rooms (2)

Cafeteria (1242)

Corridor System (1hr)

HVAC Units (6) #1, #2, #3, #4, #8

Ceiling Tile System

Fire Sprinklers Above/Below Ceiling

Floor System Carpet/Tile

Electrical Sub-Panels/Fit-Up

Lighting

Painting

Exhaust Fans

Hot Water Heater

Exhibit "C"

Plan A 610-TI's

PERFORMANCE SEMICONDUCTOR

WAFER MANUFACTURING ADDITIONAL IMPROVEMENTS
610 E. Weddell Dr. by 1995 definition

Description:

Clean Room Tunnels 1 (15), 2 (11), 3 (11), 4 (10), 5 (12)

Air Handlers/Duct furnace/Cooling coils: #1, #2, #3, #4

Air Showers (3)

Fir Sprinklers Manufacturing and Exhaust Ducting

Exhaust Scrubber #1 and #2/Duct Work

Alarm/Detection System

Emergency Generator System

Vacuum System A/B

Floor System (Mipolam)

Electrical Fit-Up Manufacturing Support Equipment

Lighting

Process Piping Gas (ss) (cu)

Process Piping D.I. (PVDF), Awn Drain Lines (PVC, CPVC)

Process Piping Trench System

External Support Equipment and Tank Farm

Process Chilled Water System, Mixing Manifold, Piping Extension, Electrical Panel

Acid and HF Waste Treatment Equipment/System/Vault

Tunnel #3 Wall System, Temperature/Humidity Control

Exhibit "D"

FAC-AI

RECORDING REQUESTED BY, AND
WHEN RECORDED RETURN TO:

Lindell Van Dyke, Esq.
1265 Montecito Avenue
Mountain View, CA 94043

NON-DISTURBANCE AGREEMENT
610 Weddell Drive -- Fabrication Facility

THIS NON-DISTURBANCE AGREEMENT (the "Agreement") is made and entered into as of the 16th day of June, 1995, by and among Analog Devices, Inc., a Massachusetts corporation ("Tenant"), FERRARI BROTHERS, a California general partnership ("Landlord"), and COAST FEDERAL BANK, formerly known as Coast Savings and Loan Association, ("Lender"), based on the follows:

A. Landlord and Tenant have executed a lease)the "Lease") dated as of June 16, 1995 covering certain premises therein described (the "Premises") consisting of approximately 27,379 square feet of floor space in an approximately 63,500 square foot building located on that certain parcel of real estate commonly known as 610,620, and 630 Weddell Drive, Sunnyvale, California. A legal description of said parcel is attached hereto and incorporated herein by this reference as Exhibit "A" (said parcel f real estate and the Premises are sometimes collectively referred to herein as the "Property");

B. Landlord has executed a First Deed of Trust (the "Deed of Trust") recorded on May 22, 1985 as Instrument No. 8417024 Book J353, Page 195 et seq. of the Official Records of Santa Clara County, California in favor of Lender, payable upon the terms and conditions described therein;

C. The parties desire to acknowledge that the loan secured by the Deed of Trust shall unconditionally be and remain at all times a lien or charge upon the Property, prior and superior to the Lease and to the leasehold estate created thereby; and

D. The parties hereto desire to assure Tenant's possession and control of the Property under this Lease upon the terms and conditions therein contained.

NOW THEREFORE, for and in consideration of the mutual covenants and promises herein and other god and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties agree as follows:

AGREEMENT

1. The Lease is and shall be subject and subordinate to the Deed of Trust, and to all renewals, modifications, consolidations, replacements and extensions thereof, and to all future advances made thereunder.

Analog Devices Nondisturbance Agreement
June 16, 1995

1
EXHIBIT "E"

2. Should Lender become the owner of the Property, or should the Property be sold by reason of foreclosure, or other proceedings brought to enforce the Deed of Trust which encumbers the Property, or should the Property be transferred by deed in lieu of foreclosure, or should any portion of the Property be sold under a trustee's sale, the Lease shall continue in full force and effect as a direct lease between the then owner of the Property covered by the Deed of Trust and Tenant, upon, and subject to, all of the terms, covenants and conditions of the Lease for the balance of the term thereof remaining, including any extension therein provided. Tenant does hereby agree to attorn to Lender or to any such owner as its landlord, and Lender hereby agrees that it will accept such attornment.

3. Notwithstanding any other provision of this Agreement, Lender shall not be (a) liable for any previously accrued default of any landlord under the Lease (including Landlord) as of the date Lender forecloses or otherwise takes title to the Property; (b) subject to any offsets or defenses which have accrued prior to the date of foreclosure, unless Tenant shall have delivered to lender written notice of the default which gave rise to such offset or defense and permitted Lender the same right to cure such default as is permitted Landlord under the Lease; (c) bound by any rent or other sums that Tenant may have paid under the Lease more than one month in advance; (d) bound by any amendment or modification of the Lease hereafter made without Lender's prior written consent; (e) responsible for the return of any security deposit delivered to Landlord under the Lease and not subsequently received by Lender.

4. If Lender sends written notice to Tenant to direct its rent payments under the Lease to Lender instead of Landlord, then Tenant agrees to follow the instructions set forth in such written instructions and deliver rent payments to Lender; however, Landlord and Lender agree that Tenant shall be credited under the Lease for any rent payments sent to lender pursuant to such written notice.

5. All notices which may or are required to be sent under this Agreement shall be in writing and shall be sent by first class certified U.S. mail, postage prepaid, return receipt requested, and sent to the party at the address appearing below its signature hereof or such other address as any party shall hereafter inform the other party by written notice given as set forth above. All notices delivered as set forth above shall be deemed effective five (5) days after the posted date of deposit in the U.S. mail.

6. The Deed of Trust shall not cover or encumber and shall not be construed as subjecting in any manner to the lien thereof any of Tenant's trade fixtures, furniture, equipment or other personal property at any time placed or installed in the Premises, or the Additional Improvements (as defined in the Lease).

7. Landlord and Tenant each acknowledges that the other is not in default or breach of any of its obligations under the Lease as of the date hereof.

Analog Devices Nondisturbance Agreement
June 16, 1995

8. this Non-Disturbance Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors in interest, heirs and assigns and any subsequent owner of the Property secured by the Deed of Trust.

9. Should any action or proceeding be commenced to enforce any of the provisions of this Non-Disturbance Agreement or in connection with its meaning, the prevailing party in such action shall be awarded, in addition to any other relief it may obtain, its reasonable costs and expenses and reasonable attorneys' fees.

IN WITNESS WHEREOF, the parties hereto have caused this Non-Disturbance Agreement to be executed as of the day and year first above written.

LENDER:

COAST FEDERAL BANK,
a

By: -----

Name: -----

Title: -----

(address)

TENANT:

Analog Devices Inc.,
a Massachusetts corporations

By: -----

Its: -----

(address)

Analog Devices Nondisturbance Agreement
June 16, 1995

LANDLORD:

FERRARI BROTHERS,
a California general partnership

By:

Ray Ferrari, general partner

1265 Montecito Ave., Suite 200
Mountain View, CA 94043
Attn: Ray Ferrari

Analog Devices Nondisturbance Agreement
June 16, 1995

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Lindell Van Dyke, Esq.
10600 N. DeAnza Blvd., Ste 100
Cupertino, CA 95014

MEMORANDUM OF LEASE

This Memorandum of Lease, dated June , 1995 for reference purposes only, is made and entered into between FERRARI BROTHERS, a California general partnership (hereafter called "Landlord"), and Analog Devices, Inc., a Massachusetts corporation (hereafter called ("Tenant").

Landlord hereby leases to Tenant certain premises consisting of approximately twenty-seven thousand three hundred seventy-nine (27,379) square feet (the "Premises") within that certain building (the "Building") located at 610 Weddell Drive, Sunnyvale, California. A legal description of the parcel of land on which the Building is situated is attached as Exhibit "A" hereto and incorporated herein by reference. Such lease is governed by the provisions of that certain unrecorded lease between the parties hereto (the "Lease"), dated June , 1995, which provisions are incorporated herein by reference as though written out at length herein. Terms undefined herein shall have the meanings ascribed to them in the Lease.

The term of the Lease shall be the five (5) year period commencing on June , 1995 and ending on March 31, 2000. Tenant shall have three options to extend the term for successive additional periods of five (5) years each on the terms set forth in the Lease.

The purpose of this Memorandum of Lease is to give notice of the existence of the Lease. This Memorandum in no way modifies the Lease or any terms thereof.

EXHIBIT "F"
F-1

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Lease to be executed as of the day and year first above written.

TENANT:

Analog Devices Inc.,
a Massachusetts corporations

By: _____
Name: _____
Title: _____

LANDLORD:

FERRARI BROTHERS,
a California general partnership

By: _____
Name: _____
Title: _____

Exhibit "F"
F-2

(Acknowledgement of Landlord)

STATE OF MASSACHUSETTS)
)SS.
COUNTY OF NORFOLK)

On June 7, 1995 before me, Janet A. Sweeney, a Notary Public in and for said County and State, personally appeared Joseph E. McDonough, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed same in his authorized capacity, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature: _____

Exhibit "F"
F-3

ANALOG DEVICES, INC.
TRUST AGREEMENT
FOR
DEFERRED COMPENSATION PLAN

Amendment No. 1

December 3, 1996

WHEREAS, Analog Devices, Inc. ("Analog") and Boatmens' Trust Company ("Trustee") entered into a Trust Agreement dated December 11, 1995 (the "Trust Agreement") for the purpose, among others, to provide Analog with a source of funds to assist it in the meeting of its liabilities under the Analog Devices, Inc. Deferred Compensation Plan; and

WHEREAS, Analog and the Trustee wish to amend the Trust Agreement pursuant to the power reserved by them to do so in Section 12(a) of the Trust Agreement.

NOW, THEREFORE, the Trust Agreement is hereby amended by replacing the first sentence of Section 5(a) with the following sentence, effective as of December 3, 1996:

"The Trustee may invest in Common Stock issued by the Company."

EXECUTED as of the 3rd day of December, 1996.

ANALOG DEVICES, INC.

BOATMENTS' TRUST COMPANY

By: /s/ William A. Martin

By: /s/ Lisa Godiner

Title: Treasurer

Title: Vice President

Analog Devices, Inc.
 Computation of Earnings Per Share (Unaudited)
 (in thousands, except per share data)

	Twelve Months Ended		
	November 2, 1996	October 28, 1995	October 29, 1994
	-----	-----	-----
PRIMARY EARNINGS PER SHARE			
Weighted average common and common equivalent shares:			
Weighted average common shares outstanding	153,221	149,269	146,494
Assumed exercise of common stock equivalents (1) .	8,512	9,446	8,045
Assumed conversion of subordinated notes	9,556	--	--
	-----	-----	-----
Weighted average common and common equivalent shares	171,289	158,715	154,539
	=====	=====	=====
Net income	\$171,901	\$119,270	\$ 74,496
Interest related to convertible subordinated notes, net of tax	4,990	--	--
	-----	-----	-----
Earnings available for common stock	\$176,891	\$119,270	\$ 74,496
	=====	=====	=====
PRIMARY EARNINGS PER SHARE	\$ 1.03	\$.75	\$.48
	=====	=====	=====
FULLY DILUTED EARNINGS PER SHARE			
Weighted average common and common equivalent shares:			
Weighted average common shares outstanding	153,221	149,269	146,498
Assumed exercise of common stock equivalents (1) .	8,726	9,692	8,403
Assumed conversion of subordinated notes	9,556	--	--
	-----	-----	-----
Weighted average common and common equivalent shares	171,503	158,961	154,901
	=====	=====	=====
Net income	\$171,901	\$119,270	\$ 74,496
Interest related to convertible subordinated notes, net of tax	4,990	--	--
	-----	-----	-----
Earnings available for common stock	\$176,891	\$119,270	\$ 74,496
	=====	=====	=====
FULLY DILUTED EARNINGS PER SHARE	\$ 1.03	\$.75	\$.48
	=====	=====	=====

(1) Computed based on the treasury stock method.

SUBSIDIARIES

The following is a list of the Company's subsidiaries:

	ORGANIZED UNDER LAW OF -----	PERCENTAGE OF VOTING SECURITIES OWNED BY REGISTRANT AS OF NOVEMBER 2, 1996 -----
Analog Devices Limited	United Kingdom	100%
Analog Devices, GmbH	Germany	100%
Analog Devices, S.A.	France	100%
Analog Devices, K.K.	Japan	100%
Analog Devices APS	Denmark	100%
Analog Devices Nederland, B.V.	The Netherlands	100%
Analog Devices International, Inc.	Massachusetts	100%
Analog Devices Israel, Ltd.	Israel	100%
Analog Devices A.B.	Sweden	100%
Analog Devices SRL	Italy	100%
Analog Devices, HDLSGESMBH M.B.H.	Austria	100%
Analog Devices Korea, Ltd.	Korea	100%
Analog Devices, B.V.	The Netherlands	100%
Analog Devices Finance N.V.	Netherlands Antilles	100%
Analog Devices Holdings, B.V.	The Netherlands	100%
Analog Devices Research & Development Ltd.	Ireland	100%
Analog Devices (Philippines), Inc.	The Philippines	100%
Analog Devices Foreign Sales Corporation, B.V.	The Netherlands	100%
Analog Devices Foundry Services, Inc.	Delaware	100%
Analog Devices Asian Sales, Inc.	Delaware	100%
Analog Devices Taiwan, Ltd.	Taiwan	100%
Analog Devices Ireland, Ltd.	Ireland	100%
Analog Devices Hong Kong, Ltd.	Hong Kong	100%
Analog Devices Pty, Ltd.	Australia	100%
Analog Devices India Private Limited	India	100%
Analog Devices Gen. Trias, Inc.	Philippines	100%
Analog Devices International Financial Services Company	Ireland	100%
Analog Devices Foreign Sales Corporation	Barbados	100%
Mosaic Microsystems Limited	United Kingdom	100%
Analog Development (Israel) 1996 Ltd.	Israel	100%
Analog Devices (China) Co. Ltd.	China	100%
Analyzed Investments, Ltd.	Ireland	54%
Analog/NCT Supply Ltd.	Delaware	50%
Analog Devices Realty Holdings, Inc.	Philippines	40%
WaferTech, LLC	Delaware	18%
Analog Supplies Company	Japan	15%

The financial statements of all wholly owned subsidiaries are included in the Consolidated Financial Statements listed in the Index to Consolidated Financial Statements appearing elsewhere herein.

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 2-63561, 2-69122, 2-77321, 2-90023, 2-95495, 33-2502, 33-4067, 33-22604, 33-22605, 33-29484, 33-39851, 33-39852, 33-43128, 33-46520, 33-46521, 33-60696, 33-60642, 33-61427, 33-64849, 333-04771, 333-04819, 333-04821 and 333-08493) and the Registration Statements (Form S-3 Nos. 333-17651, 333-08505 and 333-08509) of Analog Devices, Inc. of our report dated December 3, 1996, with respect to the consolidated financial statements and schedule of Analog Devices, Inc. included in this Annual Report (Form 10-K) for the year ended November 2, 1996.

ERNST & YOUNG LLP

Boston, Massachusetts
January 24, 1997

5
1,000
U.S. DOLLARS

YEAR	
	NOV-02-1996
	OCT-28-1995
	NOV-02-1996
	1
	210,109
	89,810
	249,221
	7,374
	218,877
	820,250
	1,067,268
	483,946
	1,515,685
270,236	
	310,000
0	
	0
	26,458
	836,377
1,515,685	
	1,193,786
1,193,786	
	593,033
	593,033
	373,614
	0
	11,289
	230,740
	58,839
171,901	
	0
	0
	0
	171,901
	1.03
	1.03