

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended August 4, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34428

Avago Technologies Limited

(Exact Name of Registrant as Specified in Its Charter)

Singapore

(State or Other Jurisdiction of
Incorporation or Organization)

1 Yishun Avenue 7

Singapore 768923

(Address of Principal Executive Offices)

98-0682363

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

N/A

(Zip Code)

(65) 6755-7888

(Registrant's telephone number, including area code)

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 R NO £

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

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

Large accelerated filer R

Accelerated filer £

Non-accelerated filer £

Smaller reporting company £

(Do not check if a smaller reporting
company)

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

As of August 30, 2013 there were 247,493,829 shares of our ordinary shares, no par value per share, outstanding.

AVAGO TECHNOLOGIES LIMITED
Quarterly Report on Form 10-Q
For the Quarterly Period Ended August 4, 2013

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited

AVAGO TECHNOLOGIES LIMITED **CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED** (in millions, except share amounts)

	August 4, 2013	October 28, 2012 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 863	\$ 1,084
Trade accounts receivable, net	365	341
Inventory	284	194
Other current assets	129	72
Total current assets	1,641	1,691
Property, plant and equipment, net	620	503
Goodwill	393	180
Intangible assets, net	514	422
Other long-term assets	36	66
Total assets	\$ 3,204	\$ 2,862
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 266	\$ 248
Employee compensation and benefits	80	61
Capital lease obligations — current	2	1
Other current liabilities	32	36
Total current liabilities	380	346
Long-term liabilities:		
Capital lease obligations — non-current	1	2
Other long-term liabilities	97	95
Total liabilities	478	443
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Ordinary shares, no par value; 247,651,731 shares and 245,477,491 shares issued and outstanding on August 4, 2013 and October 28, 2012, respectively	1,538	1,479
Retained earnings	1,190	951
Accumulated other comprehensive loss	(2)	(11)
Total shareholders' equity	2,726	2,419
Total liabilities and shareholders' equity	\$ 3,204	\$ 2,862

[1] Amounts as of October 28, 2012 have been derived from audited consolidated financial statements as of that date.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AVAGO TECHNOLOGIES LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED
(in millions, except per share data)

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Net revenue	\$ 644	\$ 606	\$ 1,782	\$ 1,746
Cost of products sold:				
Cost of products sold	325	297	887	860
Amortization of intangible assets	14	14	42	42
Restructuring charges	1	—	1	1
Total cost of products sold	340	311	930	903
Gross margin	304	295	852	843
Research and development	101	89	289	255
Selling, general and administrative	57	49	162	150
Amortization of intangible assets	6	6	17	16
Restructuring charges	—	2	2	4
Total operating expenses	164	146	470	425
Income from operations	140	149	382	418
Interest expense	(1)	—	(2)	(1)
Other income, net	5	1	8	3
Income before income taxes	144	150	388	420
Provision for income taxes	2	5	8	16
Net income	\$ 142	\$ 145	\$ 380	\$ 404
Net income per share:				
Basic	\$ 0.57	\$ 0.59	\$ 1.54	\$ 1.65
Diluted	\$ 0.56	\$ 0.58	\$ 1.51	\$ 1.61
Weighted average shares:				
Basic	248	245	246	245
Diluted	252	250	251	251
Cash dividends declared and paid per share	\$ 0.21	\$ 0.15	\$ 0.57	\$ 0.40

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AVAGO TECHNOLOGIES LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED
(in millions)

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Net income	\$ 142	\$ 145	\$ 380	\$ 404
Tax effect on defined benefit pension plans	—	—	2	—
Change in net unrealized gains on available-for-sale investments	5	—	7	—
Other comprehensive income	5	—	9	—
Total comprehensive income	<u>\$ 147</u>	<u>\$ 145</u>	<u>\$ 389</u>	<u>\$ 404</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AVAGO TECHNOLOGIES LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED
(in millions)

	Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012
Cash flows from operating activities:		
Net income	\$ 380	\$ 404
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129	115
Other	(1)	5
Share-based compensation	55	39
Tax benefits from share-based compensation	6	10
Excess tax benefits from share-based compensation	(3)	(6)
Changes in assets and liabilities, net of acquisitions:		
Trade accounts receivable, net	27	(2)
Inventory	(54)	(22)
Accounts payable	13	(14)
Employee compensation and benefits	14	(20)
Other current assets and current liabilities	(51)	(25)
Other long-term assets and long-term liabilities	(2)	(6)
Net cash provided by operating activities	513	478
Cash flows from investing activities:		
Purchase of property, plant and equipment	(179)	(168)
Acquisitions and investments, net of cash acquired	(419)	(2)
Net cash used in investing activities	(598)	(170)
Cash flows from financing activities:		
Proceeds from government grants	5	2
Payments on capital lease obligations	(1)	(2)
Issuance of ordinary shares	60	28
Repurchases of ordinary shares	(62)	(100)
Excess tax benefits from share-based compensation	3	6
Dividend payments to shareholders	(141)	(98)
Net cash used in financing activities	(136)	(164)
Net (decrease) increase in cash and cash equivalents	(221)	144
Cash and cash equivalents at the beginning of period	1,084	829
Cash and cash equivalents at end of period	<u>\$ 863</u>	<u>\$ 973</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AVAGO TECHNOLOGIES LIMITED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Overview, Basis of Presentation and Significant Accounting Policies**Overview**

Avago Technologies Limited, or the “Company”, was organized under the laws of the Republic of Singapore in August 2005.

We are a designer, developer and global supplier of analog semiconductor devices with a focus on III-V based products. We offer products in three primary target markets: wireless communications, wired infrastructure and industrial & other. Applications for our products in these target markets include cellular phones, consumer appliances, data networking and telecommunications equipment, enterprise storage and servers, factory automation and displays.

References herein to “we”, “our”, “us” and “Avago” are to Avago Technologies Limited and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires.

Basis of Presentation

Fiscal Periods. We operate on a 52- or 53-week fiscal year ending on the Sunday closest to October 31. Our fiscal year ending November 3, 2013, or fiscal year 2013, is a 53-week fiscal year, with our first fiscal quarter containing 14 weeks. The first quarter of our fiscal year 2013 ended on February 3, 2013, the second quarter ended on May 5, 2013, the third quarter ended on August 4, 2013 and the fourth quarter will end on November 3, 2013.

Information. The unaudited condensed consolidated financial statements include the accounts of Avago Technologies Limited and all of its wholly-owned subsidiaries, and are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Intercompany transactions and balances have been eliminated in consolidation.

On June 28, 2013, we completed our acquisition of CyOptics, Inc., or “CyOptics”. The unaudited condensed consolidated financial statements include the results of operations of CyOptics commencing on the date of closing of the acquisition. See Note 3. Acquisitions and Investment for further discussion.

Interim information presented in the unaudited condensed consolidated financial statements has been prepared by management and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair statement of the financial position, results of operations, comprehensive income and cash flows for the periods shown, and is in accordance with GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended October 28, 2012, or fiscal year 2012, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on December 17, 2012.

The operating results for the fiscal quarter and three fiscal quarters ended August 4, 2013 are not necessarily indicative of the results that may be expected for fiscal year 2013, or for any other future period. The balance sheet data as of October 28, 2012 presented are derived from the audited consolidated financial statements as of that date.

Significant Accounting Policies

Use of estimates. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

Concentrations of credit risk and significant customers. Our cash, cash equivalents and accounts receivable are subject to concentration of credit risk. Cash and cash equivalents may be redeemable upon demand and are maintained with several financial institutions that management believes are of high credit quality and therefore bear minimal credit risk. We seek to mitigate our credit risks by spreading such risks across multiple counterparties and monitoring the risk profile of these counterparties. Our accounts receivable are derived from revenue earned from customers located in the U.S. and internationally. We mitigate collection risks from our customers by performing regular credit evaluations of our customers’ financial conditions, and require collateral, such as letters of credit and bank guarantees, in certain circumstances.

We sell our products through our direct sales force, distributors and manufacturers’ representatives. One direct customer accounted for 18% and 32% of our net accounts receivable balance at August 4, 2013 and October 28, 2012, respectively. For the fiscal quarter and three fiscal quarters ended August 4, 2013, one direct customer represented 16% and 17% of our net revenue, respectively. For the fiscal quarter and three fiscal quarters ended July 29, 2012, one direct customer represented 13% and 15% of our net revenue, respectively.

Warranty. We accrue for the estimated costs of product warranties at the time revenue is recognized. Product warranty costs are estimated based upon our historical experience and specific identification of product requirements, which may fluctuate based on product mix. Additionally, we accrue for warranty costs associated with occasional or unanticipated product quality issues if a loss is probable and can be reasonably estimated.

The following table summarizes the changes in accrued warranty (in millions):

Balance as of October 28, 2012 — included in other current liabilities	\$	2
Charged to cost of products sold		1
Utilized		(1)
Balance as of August 4, 2013 — included in other current liabilities	\$	2

Net income per share. Basic net income per share is computed using the weighted-average number of ordinary shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of ordinary shares and potentially dilutive share equivalents outstanding during the period. Diluted shares outstanding includes the dilutive effect of in-the-money options, restricted share units, or RSUs, and employee share purchase rights under the Avago Technologies Limited Employee Share Purchase Plan, or ESPP. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period, using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising share options and to purchase shares under the ESPP, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when equity awards become deductible for income tax purposes are collectively assumed to be used to repurchase ordinary shares.

Diluted net income per share for the fiscal quarter and three fiscal quarters ended August 4, 2013 and the fiscal quarter and three fiscal quarters ended July 29, 2012 excluded the potentially dilutive effect of weighted-average outstanding equity awards (options, RSUs, and ESPP rights) to acquire 2 million ordinary shares each, as their effect was antidilutive.

The following is a reconciliation of the basic and diluted net income per share computations for the periods presented (in millions, except per share data):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Net income (Numerator):				
Net income	\$ 142	\$ 145	\$ 380	\$ 404
Shares (Denominator):				
Basic weighted-average ordinary shares outstanding	248	245	246	245
Add incremental shares for:				
Dilutive effect of share options, RSUs and ESPP rights	4	5	5	6
Shares used in diluted computation	252	250	251	251
Net income per share:				
Basic	\$ 0.57	\$ 0.59	\$ 1.54	\$ 1.65
Diluted	\$ 0.56	\$ 0.58	\$ 1.51	\$ 1.61

Supplemental cash flow disclosures. At August 4, 2013 and October 28, 2012, we had \$28 million and \$48 million, respectively, of unpaid purchases of property, plant, and equipment included in accounts payable and other current liabilities. Amounts reported as unpaid purchases will be recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the unaudited condensed consolidated statement of cash flows in the period in which they are paid.

Recently Adopted Accounting Guidance

In the first quarter of fiscal year 2013, we adopted the updated guidance issued by the Financial Accounting Standards Board, or FASB, related to goodwill impairment testing, which reduces the cost and complexity of the goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The adoption of this guidance did not have a significant impact on our results of operations and financial position.

In the first quarter of fiscal year 2013, we adopted guidance on the presentation of comprehensive income issued by the FASB, which requires that all non-owner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements and eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The requirement to present reclassification adjustments out of accumulated other comprehensive income on the face of the consolidated statement of income has been deferred by an update issued by the FASB in December 2011. Upon adoption of this guidance, we have separately reported unaudited Condensed Consolidated Statements of Comprehensive Income and the adoption did not have a significant impact on our results of operations and financial position.

In the first quarter of fiscal year 2013, we adopted updated guidance on indefinite-lived intangible assets impairment test issued by the FASB. This guidance is intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment, other than goodwill. It allows companies to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The adoption of this guidance did not have a significant impact on our results of operations and financial position.

Recent Accounting Guidance Not Yet Adopted

In February 2013, the FASB issued updated guidance on reporting on reclassifications out of accumulated other comprehensive income (loss). This guidance seeks to improve the reporting of such reclassifications by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income (loss) on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments in this guidance supersede the presentation requirements for reclassifications out of accumulated other comprehensive income (loss) in previously issued guidance. This guidance will be effective for our first quarter of fiscal year 2014. The adoption of this guidance will affect the presentation of comprehensive income, but will not impact our financial condition or results of operations.

2. Inventory

Inventory consists of the following (in millions):

	August 4, 2013	October 28, 2012
Finished goods	\$ 54	\$ 42
Work-in-process	151	99
Raw materials	79	53
Total inventory	<u>\$ 284</u>	<u>\$ 194</u>

Inventory as of August 4, 2013 includes \$32 million of inventory acquired from the CyOptics acquisition. See Note 3. "Acquisitions and Investment."

3. Acquisitions and Investment

CyOptics

On June 28, 2013, we completed our acquisition of CyOptics, Inc., a U.S.-based company that manufactures and sells Indium Phosphide, or InP, optical chip and component technologies for the data communications and telecommunications markets. CyOptics has front-end manufacturing operations in the U.S. and back-end manufacturing operations in Mexico. As a result of the CyOptics acquisition, we acquired approximately 1,100 additional employees, with 745 of these employees located in Mexico.

The aggregate consideration for the acquisition was approximately \$376 million, of which \$372 million was paid in cash, net of \$3 million in cash acquired, to acquire all of the outstanding shares of capital stock of CyOptics. We also agreed to pay additional deferred consideration to the previous shareholders of CyOptics in the amount of \$4 million one year subsequent to the acquisition date, which was recorded as a liability.

In addition, approximately \$27 million is payable to key employees, and was paid into escrow and will be paid in the form of retention bonuses over a three-year period subsequent to the acquisition date and which will be recognized as compensation expense over the same period.

Our primary reason for acquiring CyOptics was to strengthen our fiber optics product portfolio for emerging 40G and 100G enterprise and data center applications, through CyOptics' single-mode InP laser, receiver and photonics integration capability. Our optical transceiver products primarily leverage VCSEL-based technology today. In addition, we also acquired CyOptics for

their optical components business, which serves segments of the access, metro and long-haul markets. The purchase price for CyOptics was based on cash flow projections assuming the integration of any acquired technology and products with our own, which are of considerably greater value than utilizing CyOptics' technology or product on a standalone basis, as well as the assembled workforce of CyOptics. These factors, among others, contributed to a purchase price in excess of the estimated fair value of the net identifiable assets acquired, and, as a result, we have recorded goodwill in connection with this transaction. This acquired goodwill is not deductible for tax purposes.

We have preliminarily estimated the fair value of the acquired assets and liabilities for CyOptics. We allocated the purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of acquisition. As additional information becomes available, such as finalization of negotiations of working capital adjustments and tax related matters, we may revise our preliminary purchase price allocation.

Our preliminary allocation of the total purchase price for CyOptics and the purchased intangible assets as of August 4, 2013 is as follows (in millions):

	Estimated Fair Value	
Trade accounts receivable	\$	51
Inventory		35
Other current assets		2
Property, plant and equipment		34
Goodwill		192
Intangible assets		141
Total assets acquired		455
Accounts payable		(25)
Employee compensation and benefits		(5)
Other current liabilities		(2)
Long-term deferred tax liabilities (included in Other long-term liabilities)		(47)
Total liabilities assumed		(79)
Purchase price allocation	\$	376

	Estimated Fair Value (in millions)	Estimated Useful Lives (in years)
Purchased intangible assets		
Purchased technology - base product	\$ 98	15
Purchased technology - packaging	3	5
Customer relationships	32	7
Other - customer backlog	4	1
Total identified intangible finite lived assets	137	
In process research and development indefinite lived assets	4	
Total identified intangible assets	\$ 141	

Purchased Intangible Assets. Developed technology represents base product technology and packaging technology. We valued the base product technology that generates cash flows from sales of the existing products using the income approach, specifically the multi-period excess earnings method which calculates the value based on the risk-adjusted present value of the cash flows specific to the products, allowing for a reasonable return. The useful life of 15 years was determined based on the technology cycle related to the base product technology as well as the life of current legacy products.

Packaging technology is valued utilizing the relief-from-royalty method, a form of the income approach. The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The royalty rate is based on an analysis of empirical, market-derived royalty rate for guideline intangible assets.

Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of CyOptics. Customer relationships were valued using the with-and-without-method, a form of the income approach. In this method, fair value is measured by the lost profits associated with the period of time necessary to reacquire the customers. The method involves a comparison of the cash flows assuming as if the customer relationships were in place versus as if the customer relationships were to be created "from scratch". There are additional considerations related to the build-in time for certain product lines and the qualification periods included in the valuation model. This method also assumes that all other assets, know-how and technology were easily available in both scenarios.

The fair value of in-process research and development, or IPR&D, from the CyOptics acquisition was determined using the multi-period excess earnings method, a form of the income approach. Under the income approach, the expected future cash flows from each project under development are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return.

We believe the amount recorded as developed technology, IPR&D and customer relationships, represent the fair value of and approximate the amount a market participant would pay for these projects as of the acquisition date.

The purchased intangible assets are being amortized over their estimated useful lives of 1 year to 15 years. (See Note 4. Goodwill and Intangible Assets).

The unaudited condensed consolidated statements of operations include the results of operations of CyOptics commencing as of the acquisition date. Included in the unaudited condensed consolidated statements of operations for the third quarter of fiscal year 2013 was net revenue of \$21 million and a net loss of \$1 million for CyOptics. In connection with the acquisition, our results of operations for the third fiscal quarter and first three quarters of fiscal year 2013 also include: (i) amortization of purchased intangible assets, (ii) the amortization of fair value step-up in acquired inventory sold post acquisition; and (iii) charges associated with conforming accounting convention for fixed assets. Lastly, we incurred \$2 million and \$4 million, respectively, in transaction costs related to legal, accounting and other related fees which was recorded in selling, general and administrative expense for the third fiscal quarter and first three quarters of fiscal year 2013.

Unaudited Pro Forma Information. The following table presents certain unaudited pro forma financial information for each of the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012, as if CyOptics had been acquired as of the beginning of our fiscal year 2012. The unaudited estimated pro forma information combines the historical results of CyOptics with our consolidated historical results and includes certain fair value adjustments reflecting the estimated impact of amortization of purchased intangible assets and depreciation of acquired property, plant & equipment for the respective periods. The pro forma data are for informational purposes only and are not necessarily indicative of the results of operations of the combined business had the acquisition actually occurred at the beginning of our fiscal year 2012 or of the results of future operations of the combined business. Consequently, actual results will differ from the unaudited pro forma information presented.

(In millions, except for per share amounts)	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Pro forma net revenue	\$ 684	\$ 654	\$ 1,925	\$ 1,899
Pro forma net income	\$ 132	\$ 144	\$ 377	\$ 402
Pro forma net income per share-basic	\$ 0.53	\$ 0.59	\$ 1.53	\$ 1.64
Pro forma net income per share-diluted	\$ 0.52	\$ 0.58	\$ 1.50	\$ 1.60

Javelin

During the second quarter of fiscal year 2013, we acquired Javelin Semiconductor, Inc., a U.S.-based company engaged in developing mixed-signal complementary metal oxide semiconductor integrated circuits, or CMOS ICs, for wireless communications for aggregate consideration of approximately \$37 million in cash. A portion of the cash consideration was used to immediately pay off outstanding debt of the acquired company totaling \$5 million in the aggregate. This payment is presented as a cash outflow and included in "Acquisitions and investment, net of cash acquired" within the cash flows used in investing activities in the unaudited condensed consolidated statement of cash flows. The purchase price was allocated to the acquired net assets, based on estimates of fair values, as follows: net assets of \$37 million including intangible assets of \$10 million, net current deferred tax assets of \$7 million and goodwill of \$21 million. The intangible assets are being amortized over their estimated useful lives of 10 years. (See Note 4. Goodwill and Intangible Assets).

We acquired Javelin for their radio frequency CMOS engineering talent, technical personnel and technology to form the foundation of the Company's radio frequency CMOS design and development for products for its wireless target market. These factors, among others, contributed to a purchase price in excess of the estimated fair value of the net identifiable assets acquired, and, as a result, we have recorded goodwill in connection with this transaction. This acquired goodwill is not deductible for tax purposes.

The unaudited condensed consolidated financial statements include Javelin's results of operations commencing as of the acquisition date. Pro forma results of operations for the Javelin acquisition have not been presented because the effects of the acquisition were not material to our prior fiscal quarter unaudited condensed consolidated financial statements.

Investment

During the fiscal quarter ended August 4, 2013, we made an additional equity investment of \$1 million in a foreign listed company, as part of a rights offering by this company to its existing shareholders, which we had originally accounted for as available-for-sale investment. In connection with this investment, we purchased approximately 8 million ordinary shares and received approximately 16 million warrants to acquire a corresponding number of ordinary shares of the investee per the terms of the rights offerings. We continued to account for the investment in ordinary shares as available-for-sale securities investment and the \$5 million unrealized gain on these ordinary shares was recorded in other comprehensive income in our unaudited condensed consolidated balance sheets. Warrants were accounted for as trading securities and the \$2 million unrealized gain on these warrants was recorded as other income, net in our unaudited condensed consolidated statements of operations.

Subsequently in the fourth quarter of fiscal year 2013, we exited our investments in the ordinary shares and warrants in this foreign-listed company completely and realized a total gain of \$9 million of which \$2 million was already recorded in other income, net for the third quarter of fiscal year 2013 and the remaining \$7 million will be recorded in other income, net for the fourth quarter of fiscal year 2013.

4. Goodwill and Intangible Assets

Goodwill

The following table summarizes changes in goodwill (in millions):

Balance as of October 28, 2012	\$	180
Fiscal year 2013 acquisitions (Note 3. Acquisitions and Investment)		213
Balance as of August 4, 2013	\$	393

Intangible Assets

Purchased intangibles consist of the following (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of August 4, 2013:			
Purchased technology	\$ 839	\$ (444)	\$ 395
Customer and distributor relationships	289	(179)	110
Other	8	(3)	5
Intangible assets subject to amortization	1,136	(626)	510
In-process research and development	4	—	4
Total	\$ 1,140	\$ (626)	\$ 514

As of October 28, 2012:

Purchased technology	\$ 728	\$ (402)	\$ 326
Customer and distributor relationships	257	(163)	94
Other	4	(2)	2
Total	\$ 989	\$ (567)	\$ 422

The following table presents the amortization expense of purchased intangible assets (in millions):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Cost of products sold	\$ 14	\$ 14	\$ 42	\$ 42
Operating expenses	6	6	17	16
Total amortization expense	\$ 20	\$ 20	\$ 59	\$ 58

During the second and third quarters of fiscal year 2013, we recorded \$10 million and \$141 million of intangible assets with weighted-average amortization periods of 10 years and 13 years, respectively, in conjunction with acquisitions. (See Note 3. Acquisitions and Investment).

Based on the amount of intangible assets subject to amortization at August 4, 2013, the expected amortization expense for each of the next five fiscal years and thereafter is as follows (in millions):

Fiscal Year	Amount
2013 (remainder)	\$ 24
2014	93
2015	89
2016	71
2017	62
2018	27
Thereafter	144
	<u>\$ 510</u>

The weighted-average amortization periods remaining by intangible asset category at August 4, 2013 were as follows (in years):

Amortizable intangible assets:	
Purchased technology	9
Customer and distributor relationships	7
Other	6

5. Borrowings

Revolving Credit Facility

As of August 4, 2013 and October 28, 2012, we had no borrowings outstanding under our unsecured revolving credit facility and we were in compliance with the financial covenants under our credit agreement.

6. Fair Value

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy is applied to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the guidance for fair value measurements are described below:

Level 1—Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Our Level 1 assets include bank acceptances, trading securities investments, including warrants, investment funds (deferred compensation plan assets) and available-for-sale securities investments. We measure trading securities investments, investment funds and available-for-sale securities investments at quoted market prices as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2—Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include cost method investments, goodwill, amortizable intangible assets, and property, plant and equipment, which are measured at fair value using a discounted cash flow approach when they are impaired. Quantitative information for Level 3 assets and liabilities reviewed at each reporting period includes indicators of significant deterioration in the earnings performance, credit rating, asset quality, business prospects of the investee, and financial indicators of the investee's ability to continue as a going concern.

We record at cost non-marketable investments where we do not have the ability to exercise significant influence or control and periodically review them for impairment. During fiscal year 2011, we made an investment of \$1 million in the common shares of a privately-held non-U.S. company. This equity investment was accounted for under the cost method and was included on the unaudited condensed consolidated balance sheet in other long-term assets. In fiscal year 2011, we also entered

into a collateralized loan and warrant purchase agreement with this company, pursuant to which we provided it with a collateralized loan of \$1 million, at an annual interest rate of 8%, for a term of one year. Based on the quantitative assessment of the financial condition and business prospects of the investee, this equity investment and loan were both determined to be impaired during the fiscal quarter ended January 29, 2012.

During the fiscal quarter ended August 4, 2013, pursuant to public ordinary share rights with detachable warrants offering, we made an additional investment of \$1 million in the publicly traded ordinary shares of a foreign company. The ordinary shares are included as available-for-sale securities. The warrants are included as trading securities. (See Note 3. Acquisitions and Investment).

We did not have any Level 3 asset or liability activities during the three fiscal quarters ended August 4, 2013.

Assets Measured at Fair Value on a Recurring Basis

The table below sets forth by level our financial assets that were accounted for at fair value as of August 4, 2013. The table does not include cash on hand and also does not include assets that are measured at historical cost or any basis other than fair value (in millions).

	Fair Values as of August 4, 2013		
	Portion of Carrying Value Measured at Fair Value	Fair Value Measurement Using Quoted Prices In Active Market For Identical Assets (Level 1)	Fair Value Measurement Using Significant Other Inputs (Level 2)
Assets:			
Trading securities (1)	\$ 15	\$ 15	\$ —
Bank acceptances (1)	1	1	—
Investment funds — deferred compensation plan assets (1)	9	9	—
Available-for-sale securities (1)	11	11	—
Total assets measured at fair value	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ —</u>
Liabilities:			
Deferred compensation plan liabilities (2)	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 9</u>

(1) Included in other current assets in our unaudited condensed consolidated balance sheet

(2) Included in other current liabilities in our unaudited condensed consolidated balance sheet

During the three fiscal quarters ended August 4, 2013, there were no material transfers between Level 1, Level 2 or Level 3 fair value instruments.

Assets Measured at Fair Value on a Nonrecurring Basis

There were no non-financial assets or liabilities measured at fair value as of August 4, 2013.

Fair Value of Other Financial Instruments

The fair values of cash equivalents, trade accounts receivable, accounts payable and accrued liabilities, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments.

7. Shareholders' Equity

Share Repurchase Program

On April 4, 2012, our Board of Directors authorized the Company to repurchase up to 15 million of its ordinary shares, referred to as the 2012 share repurchase program. Under the 2012 share repurchase program, the Company repurchased and cancelled 0.3 million and 0.7 million shares for an aggregate purchase price of \$11 million and \$24 million in cash during the fiscal quarter and two fiscal quarters ended May 5, 2013, respectively. The weighted average purchase prices per share repurchased were \$34.07 and \$33.42 for the fiscal quarter and two fiscal quarters ended May 5, 2013, respectively. All repurchased shares were immediately retired. The 2012 share repurchase program expired the day prior to the Company's 2013 annual general meeting on April 10, 2013.

On April 10, 2013, the Board authorized the Company to repurchase up to 20 million of its outstanding ordinary shares, or the 2013 share repurchase program. This program replaces the expired 2012 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 annual general meeting, unless earlier terminated. Share repurchases will be made in the open market at such times and in such amounts as the Company deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements. The 2013 share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended from time to time or terminated at any time without prior notice. All repurchased shares are immediately retired. Under the 2013 share repurchase program, the Company repurchased 1.0 million shares for an aggregate purchase price of \$38 million in cash at a weighted average purchase price per share of \$37.66 during the fiscal quarter ended August 4, 2013.

Dividends

We paid a quarterly cash dividend of \$0.21 and \$0.15 per share, or \$52 million and \$37 million in total, during the fiscal quarters ended August 4, 2013 and July 29, 2012, respectively. We paid aggregate cash dividends of \$141 million and \$98 million during the three fiscal quarters ended August 4, 2013 and July 29, 2012, respectively.

Share-Based Compensation Expense

The following table summarizes share-based compensation expense related to share-based awards granted to employees, directors, and non-employees for the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012 (in millions):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Cost of products sold	\$ 3	\$ 1	\$ 7	\$ 4
Research and development	8	6	22	15
Selling, general and administrative	9	8	26	20
Total share-based compensation expense	<u>\$ 20</u>	<u>\$ 15</u>	<u>\$ 55</u>	<u>\$ 39</u>

The fair values of our time-based options and ESPP rights were estimated using the Black-Scholes option pricing model. Certain stock options granted in the fiscal quarter ended August 4, 2013 included both service and market conditions. The fair value of those market-based stock options was estimated using Monte Carlo simulation techniques.

The weighted-average assumptions utilized for our time-based options, ESPP rights and market-based stock options granted during the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012 are as follows:

	Time-based Options			
	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Risk-free interest rate	1.4%	0.7%	1.0%	0.8%
Dividend yield	2.2%	1.7%	2.0%	1.4%
Volatility	47.0%	53.0%	48.0%	53.0%
Expected term (in years)	5	5	5	5

	ESPP Rights			
	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Risk-free interest rate	0.1%	0.2%	0.1%	0.1%
Dividend yield	2.1%	1.4%	2.0%	1.3%
Volatility	46.0%	52.0%	46.0%	52.0%
Expected term (in years)	0.5	0.5	0.5	0.5

	Market-based options
	Three Fiscal Quarters Ended
	August 4, 2013
Risk-free interest rate	1.4%
Dividend yield	1.9%
Volatility	50%

The dividend yields for the fiscal quarters ended August 4, 2013 and July 29, 2012 are based on the dividend yield as of the respective award grant dates. For the three fiscal quarters ended August 4, 2013, expected volatility is based on the combination of historical volatility of guideline publicly-traded companies and our own historical share price volatility over the period commensurate with the expected life of the awards and the implied volatility from traded options in guideline publicly-traded companies and our own shares with a term of 720 days measured over the last three months. Effective for the first quarter of fiscal year 2013 we updated our guideline publicly-traded companies based on direct competitors in our target markets. Prior to fiscal year 2013, expected volatility was based on the combination of historical volatility of our previous group of guideline publicly-traded companies over the period commensurate with the expected life of the options and the implied volatility of guideline publicly-traded companies from traded options with a term of 180 days or greater measured over the last three months. The risk-free interest rate is derived from the average U.S. Treasury Strips rate during the period, which approximates the rate in effect at the time of grant. Our computations of expected term for time-based options were based on data, such as the data of peer companies and company-specific attributes, that we believe could affect employees' exercise behavior. The expected life of market-based stock options valued using Monte Carlo simulation techniques is based upon the vesting dates forecasted by the simulation and then assuming that options which vest, and for which the market condition has been satisfied, are exercised at the midpoint between the forecasted vesting date and their expiration.

Based on the above assumptions, the weighted-average fair values of the options granted under the Company's equity incentive award plan for the fiscal quarters ended August 4, 2013 and July 29, 2012 were \$13.02 and \$13.13, respectively, and \$12.83 and \$14.30 for the three fiscal quarters ended August 4, 2013 and July 29, 2012, respectively. The weighted-average fair values of the rights to purchase shares in the ESPP for the fiscal quarters ended August 4, 2013 and July 29, 2012 were \$11.90 and \$13.08, respectively, and \$11.72 and \$12.92 for the three fiscal quarters ended August 4, 2013 and July 29, 2012, respectively. The weighted-average fair values of RSUs granted in the fiscal quarter ended August 4, 2013 and July 29, 2012 were \$36.35 and \$33.03, respectively, and \$35.47 and \$34.61 for the three fiscal quarters ended August 4, 2013 and July 29, 2012, respectively.

Total compensation cost of options granted but not yet vested as of August 4, 2013 was \$155 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair values of options vested during the fiscal quarters ended August 4, 2013 and July 29, 2012 were \$13 million and \$9 million, respectively. The total grant-date fair values of options vested during the three fiscal quarters ended August 4, 2013 and July 29, 2012 were \$39 million and \$26 million, respectively. Total unrecognized compensation cost related to the ESPP rights as of August 4, 2013 was immaterial and is expected to be recognized over the remaining portion of the current offering period under the ESPP, which ends on September 14, 2013. Total compensation cost related to unvested RSUs as of August 4, 2013 was \$38 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair values of RSUs that vested during the fiscal quarter and three fiscal quarters ended August 4, 2013 were \$1 million and \$2 million, respectively. The total grant-date fair value of RSUs that vested during the fiscal quarter and three fiscal quarters ended July 29, 2012 were immaterial.

Equity Incentive Award Plans

A summary of option award activity related to our equity incentive plans is as follows (in millions, except years and per share amounts):

	Option Awards Outstanding			
	Number Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance as of October 28, 2012	20	\$ 22.45		
Annual increase in shares available for issuance, per equity incentive plan terms				
Granted	7	35.95		
Exercised	(3)	15.22		
Cancelled	(1)	26.07		
Balance as of August 4, 2013	23	27.82	5.78	\$ 220
Fully vested as of August 4, 2013	7	19.24	5.15	134
Fully vested and expected to vest as of August 4, 2013	21	27.39	5.74	215

The total intrinsic values of options exercised during the fiscal quarters ended August 4, 2013 and July 29, 2012 were \$35 million and \$11 million, respectively. The total intrinsic values of options exercised during the three fiscal quarters ended August 4, 2013 and July 29, 2012 were \$78 million and \$43 million, respectively.

A summary of RSU activity related to our equity incentive plans is as follows (in millions, except years and per share amounts):

	RSU Awards Outstanding		
	Number Outstanding	Weighted-Average Grant Date Fair Market Value	Weighted-Average Remaining Contractual Life (in years)
Balance as of October 28, 2012	1	\$ 32.69	
Granted	1	35.47	
Vested	—	35.12	
Forfeited	—	29.25	
Balance as of August 4, 2013	2	34.02	3.01

As of October 28, 2012 there were 12 million shares available for grant under the 2009 Equity Incentive Plan. Per the terms of the 2009 Equity Incentive Plan, an annual increase of 6 million shares was approved for issuance on the first day of fiscal year 2013. As of the three quarters ended August 4, 2013 there were 12 million shares that remained available for grant.

The following table summarizes the ranges of outstanding and exercisable option awards as of August 4, 2013 (in millions, except years and per share amounts):

Exercise Prices	Option Awards Outstanding			Option Awards Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Number Exercisable	Weighted-Average Exercise Price Per Share
\$0.00-\$10.00	2	4.29	\$ 7.67	1	\$ 7.18
\$10.01-\$20.00	4	5.34	13.48	3	12.77
\$20.01-\$30.00	2	6.90	21.05	1	20.97
\$30.01-\$40.00	15	5.89	34.89	2	33.91
Total	23	5.78	27.82	7	19.24

Employee Share Purchase Plan

No shares were issued under the ESPP during the fiscal quarters ended August 4, 2013 and July 29, 2012. A total of 0.1 million shares were issued during each of the three fiscal quarters ended August 4, 2013 and July 29, 2012. At August 4, 2013, 9.4 million shares remained available for issuance under the ESPP.

December 2012 Secondary Share Offering

We filed a prospectus supplement, dated December 6, 2012, with the SEC relating to sale of 21,490,022 of our ordinary shares by shareholders affiliated with Kohlberg Kravis Roberts & Co. and Silver Lake, and by our President and Chief Executive Officer in a registered public offering. This transaction closed on December 12, 2012. We did not receive any proceeds from the sale of shares sold in this offering other than approximately \$1.5 million in aggregate option exercise price proceeds from a selling shareholder who exercised options for the purpose of selling shares in this offering.

8. Income Taxes

Provision for Income Taxes

For the fiscal quarter and three fiscal quarters ended August 4, 2013, we recorded an income tax provision of \$2 million and \$8 million, respectively, compared to \$5 million and \$16 million for the fiscal quarter and three fiscal quarters ended July 29, 2012, respectively. The tax expense for the three fiscal quarters ended August 4, 2013 included a benefit of \$2 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods, and \$3 million from the enactment of the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, retroactively extending the U.S. Federal Research and Development tax credit from January 1, 2012 to December 31, 2013. The remaining \$3 million decrease in tax provision is primarily due to a change in the jurisdictional mix of income and expense.

Unrecognized Tax Benefits

As of October 28, 2012, the amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was approximately \$28 million, including accrued interest and penalties. During the quarter ended August 4, 2013, we recognized \$2 million of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods.

We are subject to Singapore income tax examinations for the years ended October 31, 2006 and later and in major jurisdictions outside Singapore for the years ended October 31, 2007 and later. We are not under Singapore income tax examination at this time. We believe it is possible that we may recognize \$1 million to \$15 million of our existing unrecognized tax benefits within the next twelve months as a result of the expiration of the statute of limitations for certain audit periods.

9. Segment Information

ASC 280 "Segment Reporting," or ASC 280, establishes standards for the way public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers. We completed the CyOptics acquisition in the third quarter of fiscal year 2013 and are in the process of fully integrating CyOptics into Avago organization structure and business model therefore, we have concluded that we continue to have one reportable segment based on the following factors: sales of semiconductors represents our only material source of revenue; substantially all products offered incorporate analog functionality and are manufactured under similar manufacturing processes; we use an integrated approach in developing our

products in that discrete technologies developed are frequently integrated across many of our products; and we use a common order fulfillment process and similar distribution approach for our products. Broad distributor networks are typically used to distribute our products, with large accounts being serviced by a direct sales force. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by ASC 280.

10. Related Party Transactions

During the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012, in the ordinary course of business, the Company purchased from, or sold to, several entities where one of the Company's directors also serves or served as a director or executive officer of that entity, including eSilicon Corporation, KLA-Tencor Corporation, Kulicke & Soffa Industries, Inc. and Wistron Corporation. Management believes that such transactions are at arms' length and on similar terms as would have been obtained from unaffiliated third parties.

The following tables provide information regarding the aggregate amounts involved in the transactions with these parties for the indicated periods (for the portion of such period that they were considered related) (in millions):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Total net revenue (1) (2)	\$ 5	\$ 1	\$ 21	\$ 6
Total costs and expenses (2)	— *	3	2	5
	August 4, 2013	October 28, 2012		
Total receivables (1)	\$ 6	\$ 1		
Total payables	— *	2		

* Represent amounts less than \$0.5 million.

(1) Amounts include net revenue and accounts receivable balances for related party transactions with Wistron Corporation through the three fiscal quarters ended and as of August 4, 2013, after which Wistron Corporation ceased to be a related party.

(2) Amounts include net revenue, cost and expenses for related party transactions with eSilicon Corporation through the two fiscal quarters ended May 5, 2013, after which eSilicon Corporation ceased to be a related party.

11. Commitments and Contingencies

Commitments

The following table sets forth changes in our commitments as of August 4, 2013 for the fiscal periods noted (in millions):

	Total	2013 (remainder)	2014	2015	2016	2017	2018	Thereafter
Purchase Commitments	\$ 126	\$ 119	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —
Other Contractual Commitments	\$ 42	\$ 3	\$ 17	\$ 9	\$ 7	\$ 4	\$ 2	\$ —

Purchase Commitments. We have unconditional purchase obligations which include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

We also make purchases from a variety of vendors in connection with the expansion of our Fort Collins internal fabrication facility. These purchases are typically conducted on a purchase order basis and the purchase commitment amount shown in the table above includes \$39 million in cancelable and non-cancelable outstanding purchase obligations under such purchase orders as of August 4, 2013.

Other Contractual Commitments. Represents amounts payable pursuant to agreements related to outsourced IT, human resources, financial infrastructure outsourcing services and other services agreements.

There were no other substantial changes to our contractual commitments during the first three quarters of fiscal year 2013 from those disclosed in our Annual Report on Form 10-K for fiscal year 2012.

Contingencies

From time to time, we are involved in litigation that we believe is of the type common to companies engaged in our line of business, including commercial disputes, employment issues and disputes involving claims by third parties that our activities infringe their patent, copyright, trademark or other intellectual property rights. Legal proceedings are often complex, may require the expenditure of significant funds and other resources, and the outcome of litigation is inherently uncertain, with material adverse outcomes possible. Intellectual property claims generally involve the demand by a third-party that we cease the manufacture, use or sale of the allegedly infringing products, processes or technologies and/or pay substantial damages or royalties for past, present and future use of the allegedly infringing intellectual property. Claims that our products or processes infringe or misappropriate any third-party intellectual property rights (including claims arising through our contractual indemnification of our customers) often involve highly complex, technical issues, the outcome of which is inherently uncertain. Moreover, from time to time we pursue litigation to assert our intellectual property rights. Regardless of the merit or resolution of any such litigation, complex intellectual property litigation is generally costly and diverts the efforts and attention of our management and technical personnel.

We are currently engaged in a number of legal actions in the ordinary course of our business. However, while there can be no assurance, we do not believe that we are involved in any pending legal proceedings that would be reasonably possible to have a material adverse effect on our financial condition, results of operations or cash flows. During the periods presented we have not recorded any accrual for loss contingencies associated with any legal proceedings nor determined that an unfavorable outcome is probable or reasonably possible. As a result, no amounts have been accrued or disclosed in the accompanying unaudited condensed consolidated financial statements with respect to these legal proceedings.

Warranty

There were no material changes to our warranty accrual during the three fiscal quarters ended August 4, 2013.

Indemnifications to Hewlett-Packard and Agilent

Agilent Technologies, Inc., or Agilent, has given multiple indemnities to Hewlett-Packard Company in connection with its activities prior to its spin-off from Hewlett-Packard Company in June 1999 for the businesses that constituted Agilent prior to the spin-off. We are the successor to the Semiconductor Products Group, or SPG, of Agilent, which we acquired on December 1, 2005, which we refer to as the SPG Acquisition. As the successor to the SPG business of Agilent, we have acquired responsibility for indemnifications related to assigned intellectual property agreements. Additionally, when we completed the acquisition from Agilent in December 2005, we provided indemnities to Agilent with regard to Agilent's conduct of the SPG business prior to the SPG Acquisition. In our opinion, the fair value of these indemnifications is not material and no amount has been accrued in the accompanying unaudited condensed consolidated financial statements with respect to these indemnification obligations.

Other Indemnifications

As is customary in our industry and as provided for in local law in the United States and other jurisdictions, many of our standard contracts provide remedies to our customers and others with whom we enter into contracts, such as defense, settlement, or payment of judgment for intellectual property claims related to the use of our products. From time to time, we indemnify customers, as well as our suppliers, contractors, lessors, lessees, companies that purchase our businesses or assets and others with whom we enter into contracts, against combinations of loss, expense, or liability arising from various triggering events related to the sale and the use of our products, the use of their goods and services, the use of facilities and state of our owned facilities, the state of the assets and businesses that we sell and other matters covered by such contracts, usually up to a specified maximum amount. In addition, from time to time we also provide protection to these parties against claims related to undiscovered liabilities, additional product liability or environmental obligations. In our experience, claims made under such indemnifications are rare and the associated estimated fair value of the liability is not material.

12. Subsequent Event

On September 4, 2013, the Board declared an interim cash dividend on the Company's ordinary shares of \$0.23 per share, payable on September 30, 2013 to shareholders of record at the close of business (5:00 p.m.), Eastern Time, on September 19, 2013.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended October 28, 2012, or fiscal year 2012, included in our Annual Report on Form 10-K for fiscal year 2012, or 2012 Annual Report on Form 10-K. References to "Avago", "the Company", "we", "our" and "us" are to Avago Technologies Limited and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires. This Quarterly Report on Form 10-Q may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, which are made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements may include projections of financial information; statements about historical results that may suggest trends for our business; statements of the plans, strategies, and objectives of management for future operations; statements of expectation or belief regarding future events (including any acquisitions we may make), technology developments, our products, product sales, expenses, liquidity, cash flow and growth rates, or enforceability of our intellectual property rights; and the effects of seasonality on our results of operations. Such statements are based on current expectations, estimates, forecasts and projections of our or industry performance and macroeconomic conditions, based on management's judgment, beliefs, current trends and market conditions, and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, we caution you not to place undue reliance on these statements. For example, there can be no assurance that our product sales efforts, revenues or expenses will meet any expectations or follow any trend(s), or that our ability to compete effectively will be successful or yield anticipated results. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission, or SEC. All of the forward-looking statements in this Quarterly Report on Form 10-Q are qualified in their entirety by reference to the factors listed above and those discussed under the heading "Risk Factors" below. We undertake no intent or obligation to publicly update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

We are a leading designer, developer and global supplier of a broad range of analog semiconductor devices with a focus on III-V based products. III-V semiconductor materials have higher electrical conductivity and thus tend to have better performance characteristics in radio frequency, or RF, and optoelectronic applications than silicon. We differentiate ourselves through our high performance design and integration capabilities. We serve three primary target markets: wireless communications, wired infrastructure and industrial & other. Our product portfolio is extensive and includes thousands of products. Applications for our products in these target markets include cellular phones, consumer appliances, data networking and telecommunications equipment, enterprise storage and servers, factory automation and displays.

During the first three quarters of fiscal year 2013, our net revenue increased slightly as compared to the first three quarters of fiscal year 2012. We saw an increase in net revenue from our wireless communications target market during this period, even though this target market softened somewhat during the fiscal quarter ended August 4, 2013. However, this was substantially offset by a decrease in our industrial & other target market, due to our transition to an intellectual property licensing model for our consumer and computing peripherals products, which was completed at the end of fiscal year 2012. Our legacy consumer and computing peripherals related revenues are now included in our industrial & other target market. Net revenue for the first three quarters of fiscal year 2013 was also impacted by soft carrier router spending, which adversely affected net revenue from our wired infrastructure target market, partially offset in the third fiscal quarter by revenue contribution resulting from the CyOptics acquisition and improved datacenter spending. Our fiscal year ending November 3, 2013, or fiscal year 2013, is a 53-week fiscal year, with the first fiscal quarter consisting of 14 weeks.

Acquisitions

On June 28, 2013, we completed our acquisition of CyOptics, Inc., or CyOptics, a U.S.-based company that manufactures and sells Indium Phosphide, or InP, optical chip and component technologies for the data communications and telecommunications markets. CyOptics has front-end manufacturing operations in the U.S. and back-end manufacturing operations in Mexico.

The aggregate consideration for the acquisition was \$376 million, of which \$372 million was paid in cash (exclusive of \$3 million of cash acquired in the transaction). In addition, approximately \$27 million is payable to key employees, and was paid into escrow and will be paid in the form of retention bonuses over a three-year period and recognized as compensation expense over the same period. We also agreed to pay additional consideration to the previous shareholders of CyOptics in the amount of \$4 million, one year subsequent to acquisition closing, which was recorded as a current liability.

We believe that this transaction will strengthen our fiber optics product portfolio for emerging 40G and 100G enterprise and data center applications for our wired infrastructure target market. CyOptics' single-mode InP laser, receiver and photonics integration capability is expected to help extend our technology leadership position in these applications. To date, Avago's optical transceiver products have primarily leveraged VCSEL-based technology. In addition, the acquisition of CyOptics is expected to facilitate Avago's establishment of a complementary optical components business, not only to serve growing segments of the access, metro and long-haul markets, but also for enterprise and data center segments. Our and CyOptics' products are complementary to one another, with little overlap between our respective product portfolios. As a result of the CyOptics acquisition, we acquired approximately 1,100 additional employees, with 745 of these employees located in Mexico.

The unaudited condensed consolidated financial statements for the fiscal quarter and three fiscal quarters ended August 4, 2013 include the results of operations of CyOptics commencing from June 28, 2013, the date of closing of the acquisition.

During the second quarter of fiscal year 2013, we also completed the acquisition of Javelin Semiconductor, Inc., or Javelin, a U.S.-based company engaged in developing mixed-signal complementary metal oxide semiconductor, or CMOS, integrated circuits, or ICs, for wireless communications applications for approximately \$37 million in cash. We believe this acquisition will generate cost savings and form the foundation of the Company's radio frequency CMOS design and development for our wireless target market due to the radio frequency CMOS engineering talent and technical personnel and technology that we acquired in this transaction.

See Note 3 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States, or GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. Our critical accounting policies are those that affect our historical financial statements materially and involve difficult, subjective or complex judgments by management. Those policies include revenue recognition, accounting for business combinations, valuation of long-lived assets, intangible assets and goodwill, inventory valuation and warranty reserves, accounting for income taxes, retirement and post-retirement benefit plan assumptions, share-based compensation, and employee bonus programs.

Accounting for business combinations. We apply the provisions of Accounting Standards Codification 805, Business Combinations, in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our unaudited Condensed Consolidated Statements of Operations.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in

valuing certain of the intangible assets we have acquired include but are not limited to: future expected cash flows from product sales, customer contracts and acquired technologies, expected costs to develop in-process research and development into commercially viable products and estimated cash flows from the projects when completed and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Share-based compensation expense. In the second quarter of fiscal year 2013, the Company began to grant market-based stock options. The fair value of market-based option awards is estimated on the date of grant using a Monte Carlo simulation model. Assumptions utilized in the Monte Carlo simulation model follow the same methodology as our time-based option awards. Compensation expense for market-based option awards is amortized based upon a graded vesting method.

There have been no significant changes in our critical accounting policies during the three fiscal quarters ended August 4, 2013 compared to those previously disclosed in “Critical Accounting Policies and Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2012 Annual Report on Form 10-K other than those noted above.

Results from Operations

Fiscal Quarter and Three Fiscal Quarters Ended August 4, 2013 Compared to Fiscal Quarter and Three Fiscal Quarters Ended July 29, 2012

The following tables set forth our results of operations for the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012.

	Fiscal Quarter Ended			
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
	(In millions)		(As a percentage of net revenue)	
Statements of Operations Data:				
Net revenue	\$ 644	\$ 606	100%	100%
Cost of products sold:				
Cost of products sold	325	297	51	49
Amortization of intangible assets	14	14	2	2
Restructuring charges	1	—	—	—
Total cost of products sold	340	311	53	51
Gross margin	304	295	47	49
Research and development	101	89	15	15
Selling, general and administrative	57	49	9	8
Amortization of intangible assets	6	6	1	1
Restructuring charges	—	2	—	—
Total operating expenses	164	146	25	24
Income from operations	140	149	22	25
Interest expense	(1)	—	—	—
Other income, net	5	1	—	—
Income before income taxes	144	150	22	25
Provision for income taxes	2	5	—	1
Net income	\$ 142	\$ 145	22%	24%

	Three Fiscal Quarters Ended			
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
	(In millions)		(As a percentage of net revenue)	
Statements of Operations Data:				
Net revenue	\$ 1,782	\$ 1,746	100%	100%
Cost of products sold:				
Cost of products sold	887	860	50	49
Amortization of intangible assets	42	42	2	3
Restructuring charges	1	1	—	—
Total cost of products sold	930	903	52	52
Gross margin	852	843	48	48
Research and development	289	255	16	15
Selling, general and administrative	162	150	9	8
Amortization of intangible assets	17	16	1	1
Restructuring charges	2	4	—	—
Total operating expenses	470	425	26	24
Income from operations	382	418	22	24
Interest expense	(2)	(1)	—	—
Other income, net	8	3	—	—
Income before income taxes	388	420	22	24
Provision for income taxes	8	16	—	1
Net income	\$ 380	\$ 404	22%	23%

Net revenue. Net revenue was \$644 million for the fiscal quarter ended August 4, 2013, compared to \$606 million for the fiscal quarter ended July 29, 2012, an increase of \$38 million. Net revenue was \$1,782 million for the three fiscal quarters ended August 4, 2013, compared to \$1,746 million for the three fiscal quarters ended July 29, 2012, an increase of \$36 million. The three fiscal quarters ended August 4, 2013 consisted of 40 weeks compared to 39 weeks in the three fiscal quarters ended July 29, 2012. The increase in net revenue for the fiscal quarter ended August 4, 2013 compared to the fiscal quarter ended July 29, 2012 was primarily due to strength in our wireless communications target market and in the wired infrastructure target market, due to revenue contribution from the CyOptics acquisition, partially offset by the transition from developing, manufacturing and selling our legacy consumer and computing peripherals products to licensing intellectual property relevant to these products in our industrial & other target market.

Our three target markets are wireless communications, wired infrastructure and industrial & other. The percentage of total net revenue generated by sales in each of our target markets varies from quarter to quarter, due largely to fluctuations in end-market demand, including the effects of seasonality. The first fiscal quarter has historically been our lowest revenue and cash generating quarter due, in part, to holiday shut downs at many original equipment manufacturer, or OEM, customers and distributors, and the first half of the fiscal year has tended to generate lower revenue than the second half. However, in recent periods typical seasonality and industry cyclicality have been increasingly overshadowed by other factors such as wider macroeconomic effects, the timing of significant product transitions and launches by large OEMs, particularly in the wireless communications target market, and new product launches by our competitors. During the three fiscal quarters ended August 4, 2013, strength in the smartphone market in the first half of the year and strong sales to our two largest smartphone OEMs, as well as 4G/long term evolution, or LTE, product launches by other OEMs in our wireless target market contributed to the revenue increase from this market. However, this increase was offset by a significant decrease in net revenue from our industrial & other target market, as a result of our transition from developing, manufacturing and selling consumer and computing peripherals products to licensing intellectual property relevant to these products.

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. During the fiscal quarter and three fiscal quarters ended August 4, 2013, direct sales to Foxconn Technology Group companies, or Foxconn, accounted for 16% and 17% of our net revenue, respectively.

Our top 10 direct customers for the fiscal quarter and three fiscal quarters ended August 4, 2013, which included three distributors, collectively accounted for 63% and 64% of our net revenue, respectively. We believe our aggregate sales to Apple Inc. and Cisco Systems, Inc., when direct sales are combined with indirect sales to them through the respective contract

manufacturers that they utilize, each accounted for more than 10% of our net revenues, for the fiscal quarter and three fiscal quarters ended August 4, 2013.

Net revenue by target market data is derived from our understanding of our end customers' primary markets. As discussed previously, our legacy consumer and computing peripherals target market will no longer be presented separately and has been included in our industrial & other target market. Net revenue by target market was as follows:

% of net revenue	Fiscal Quarter Ended		Change	Three Fiscal Quarters Ended		Change
	August 4, 2013	July 29, 2012		August 4, 2013	July 29, 2012	
Wireless communications	45%	40%	5 %	49%	43%	6 %
Wired infrastructure	31	29	2	28	29	(1)
Industrial & other	24	31	(7)	23	28	(5)
Total net revenue	100%	100%		100%	100%	

Net revenue (in millions)	Fiscal Quarter Ended		Change	Three Fiscal Quarters Ended		Change
	August 4, 2013	July 29, 2012		August 4, 2013	July 29, 2012	
Wireless communications	\$ 288	\$ 241	\$ 47	\$ 875	\$ 750	\$ 125
Wired infrastructure	202	173	29	498	503	(5)
Industrial & other	154	192	(38)	409	493	(84)
Total net revenue	\$ 644	\$ 606	\$ 38	\$ 1,782	\$ 1,746	\$ 36

Net revenue from our wireless communications target market increased by \$47 million, or 20%, and \$125 million, or 17%, respectively, in the third fiscal quarter and first three fiscal quarters of fiscal year 2013, compared with the corresponding prior year periods, due to strength in mobile smartphone sales. Unit sales of smartphones containing our products, as well as the amount of our product content in those phones is a key driver of our revenue from this target market. New product ramps at major smartphone OEMs and 4G/LTE launches at other OEMs, as well as improvements in our content in those phones, also drove revenue growth during the first three quarters of fiscal year 2013. We experienced higher demand for our power amplifiers and our film bulk acoustic resonator, or FBAR duplexers in the three fiscal quarters ended August 4, 2013. However, the smartphone market softened during the third quarter of fiscal year 2013.

Net revenue from our wired infrastructure target market increased by \$29 million, or 17%, in the third fiscal quarter of 2013 compared to the third fiscal quarter of 2012. Net revenue from this target market decreased \$5 million, or 1%, in the first three fiscal quarters of fiscal year 2013, compared with the corresponding prior year period. The increase for the third quarter of fiscal 2013 compared to 2012 was due to \$21 million of revenue from our CyOptics acquisition and improvement in datacenter demand. The decrease for the first three fiscal quarters of 2013 compared to 2012 was primarily due to weak carrier routing spending and product transitions at a major OEM customer partially offset by revenue from our CyOptics acquisition and improvement in datacenter demand in the third fiscal quarter ended August 4, 2013.

Net revenue from our industrial & other target market decreased by \$38 million, or 20%, and \$84 million, or 17%, respectively, in the third fiscal quarter and first three fiscal quarters of fiscal year 2013, respectively, compared with the corresponding prior year periods. The decrease in net revenue for the third fiscal quarter and first three fiscal quarters ended August 4, 2013, as compared with the third fiscal quarter and first three fiscal quarters of fiscal year 2012, was due primarily to our transition from developing, manufacturing and selling our consumer and computing peripherals products to licensing intellectual property relevant to these products. This decrease was partially offset by improved demand from our industrial distributors and OEMs, notably in transportation and power generation, in the first three quarters of fiscal year 2013.

From time to time, our key customers, particularly in our wireless target market, place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the launches of, and seasonal variations in sales of, consumer products such as mobile handsets, as well as changes in the overall economic environment.

Gross margin. Gross margin was \$304 million for the fiscal quarter ended August 4, 2013 compared to \$295 million for the fiscal quarter ended July 29, 2012, an increase of \$9 million. As a percentage of net revenue, gross margin decreased slightly to 47% for the fiscal quarter ended August 4, 2013 compared to 49% for fiscal quarter ended July 29, 2012, due primarily to the effects of the CyOptics acquisition. Gross margin was \$852 million for the three fiscal quarters ended August 4, 2013 compared to \$843 million for the three fiscal quarters ended July 29, 2012. As a percentage of net revenue, gross margin remained flat at 48% for the three fiscal quarters ended August 4, 2013 compared to the three fiscal quarters ended July 29, 2012.

Research and development. Research and development expense was \$101 million for the fiscal quarter ended August 4, 2013, compared to \$89 million for the fiscal quarter ended July 29, 2012, an increase of \$12 million or 13%. The overall dollar

increase in research and development expense was attributable to a \$4 million increase in salaries and employee benefits expense due to annual merit-based salary increases and additional headcount due to the CyOptics acquisition, a \$2 million increase in share-based compensation expense attributable to annual focal employee equity awards at higher grant-date fair values, a \$2 million increase in research and development project expenses, including consumables and external services, a \$3 million increase in accrued incentive compensation expense, and a \$1 million increase in computer software and support expense.

Research and development expense was \$289 million for the three fiscal quarters ended August 4, 2013, compared to \$255 million for the three fiscal quarters ended July 29, 2012, an increase of \$34 million or 13%. As a percentage of net revenue, research and development expenses increased to 16% for the three fiscal quarters ended August 4, 2013, compared to 15% for the three fiscal quarters ended July 29, 2012. The majority of this increase resulted from investments in our wired infrastructure and wireless communications solutions. Part of the increase was attributable to a \$7 million increase in research and development project consumables and external services. The increase in research and development expense was also attributable to a \$11 million increase in salaries and employee benefits expense due to annual merit-based salary increases and additional headcount due to the CyOptics acquisition, a \$7 million increase in share-based compensation expense attributable to annual focal employee equity awards at higher grant-date fair values, a \$5 million increase in accrued incentive compensation expense and a \$2 million increase in computer software and support expense compared to the three fiscal quarters ended July 29, 2012. These increases were partially offset by a \$2 million increase in accrued reimbursements pursuant to research and development grants.

Selling, general and administrative. Selling, general and administrative expense was \$57 million for the fiscal quarter ended August 4, 2013, compared to \$49 million for the fiscal quarter ended July 29, 2012, an increase of \$8 million or 16%. Changes in components of selling, general and administrative expense for the fiscal quarter ended August 4, 2013 consisted of a \$2 million increase in salaries and employee benefits expense, a \$1 million increase in share-based compensation attributable to annual focal employee equity awards at higher grant-date fair values, a \$2 million increase in legal expenses related to offensive litigation matters and the CyOptics acquisition, an aggregate \$1 million increase in transaction and property taxes, partially offset by a \$1 million decrease in media, marketing and commissions expenses. The remaining increase in selling, general and administrative expense for the fiscal quarter ended August 4, 2013 compared to the fiscal quarter ended July 29, 2012 was largely attributable to transaction and general operating costs related to the CyOptics acquisition. However, as a percentage of net revenue, selling, general and administrative expense remained flat at 9% for the fiscal quarter ended August 4, 2013, compared to the fiscal quarter ended July 29, 2012.

Selling, general and administrative expense was \$162 million for the three fiscal quarters ended August 4, 2013, compared to \$150 million for the three fiscal quarters ended July 29, 2012, an increase of \$12 million or 8%. Changes in components of selling, general and administrative expense for the three fiscal quarters ended August 4, 2013 consisted of a \$6 million increase in share-based compensation attributable to annual focal employee equity awards at higher grant-date fair values, a \$3 million increase in salaries and employee benefits expense, a \$1 million increase in legal expenses related to offensive litigation matters and the CyOptics acquisition, a \$1 million increase in accrued incentive compensation expense, partially offset by a \$2 million decrease in media, marketing and commissions expenses, compared to the three fiscal quarters ended July 29, 2012. The remaining increase in selling, general and administrative expense for the three fiscal quarters ended August 4, 2013 compared to the three fiscal quarters ended July 29, 2012 was largely attributable to transaction and general operating costs related to the CyOptics acquisition.

Amortization of intangible assets. Total amortization of intangible assets incurred were \$20 million and \$20 million for the fiscal quarters ended August 4, 2013 and July 29, 2012, respectively. Total amortization of intangible assets incurred were \$59 million and \$58 million for the three fiscal quarters ended August 4, 2013 and July 29, 2012, respectively. We anticipate our amortization expense will be higher in future periods primarily as a result of increases in amortizable intangible assets from the CyOptics and Javelin acquisitions.

Restructuring charges. We incurred \$1 million and \$3 million in restructuring charges for the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively, compared to restructuring charges of \$2 million and \$5 million for the fiscal quarter and three fiscal quarters ended July 29, 2012, respectively. We may incur additional restructuring charges in future periods as a result of our acquisition activities.

Interest expense. Interest expense was \$1 million and \$2 million for the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively, compared to \$0 million and \$1 million for the fiscal quarter and three fiscal quarters ended July 29, 2012, respectively, representing ongoing commitment fees related to our revolving credit facility.

Other income, net. Other income, net includes unrealized gains or losses on marketable securities, interest income, foreign currency gains (losses) on balance sheet remeasurement and other miscellaneous items. Other income, net was \$5 million and \$8 million for the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively, compared to other income, net of \$1 million and \$3 million for the fiscal quarter and three fiscal quarters ended July 29, 2012, respectively. The increase for both the quarter and three quarters ended August 4, 2013 is primarily attributable to an increase in unrealized gains on marketable

securities, representing minority equity investments. Other income, net in the three fiscal quarters ended July 29, 2012 included a \$1 million impairment of a cost method investment and a \$1 million impairment of a loan to the same cost method investee.

Provision for income taxes. We recorded an income tax provision of \$2 million and \$8 million for the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively, compared to \$5 million and \$16 million for the fiscal quarter and three fiscal quarters ended July 29, 2012, respectively. The tax expense for the three fiscal quarters ended August 4, 2013 included a benefit of \$2 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods, and \$3 million from the enactment of the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, retroactively extending the U.S. Federal Research and Development tax credit from January 1, 2012 to December 31, 2013. The remaining \$3 million decrease in tax provision is primarily due to a change in the jurisdictional mix of income and expense.

Backlog

Our sales are generally made pursuant to short-term purchase orders. These purchase orders are made without deposits and may be rescheduled, cancelled or modified on relatively short notice, and in most cases without substantial penalty. Therefore, we believe that purchase orders or backlog are not a reliable indicator of future sales.

Seasonality

We have historically been affected by seasonal trends in the semiconductor and related industries. Our net revenue in the second half of the fiscal year has typically been higher than our net revenue in the first half of the fiscal year due to seasonality in our wireless communications target market. This target market historically tended to experience seasonality due to the calendar year-end holiday selling seasons. From time to time, our key customers, particularly in our wireless communications target market, place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the launches of, and seasonal variations in sales of, consumer products such as mobile handsets, as well as changes in the overall economic environment. These fluctuations combined with other factors have increasingly overshadowed these seasonal effects in recent periods.

Liquidity and Capital Resources

Our primary sources of liquidity as at August 4, 2013 consist of: (1) approximately \$863 million in cash and cash equivalents, (2) cash we expect to generate from operations and (3) our \$300 million revolving credit facility, which is committed until March 31, 2015, all of which is available to be drawn.

Our short-term and long-term liquidity requirements primarily arise from: (i) working capital requirements, (ii) research and development and capital expenditure needs, including acquisitions and investments we may make from time to time and (iii) quarterly dividend payments (if and when declared by our board of directors, or the Board) and any share repurchases we may choose to make under our share repurchase programs. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance and are, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

Under our 2012 share repurchase program, which expired on April 9, 2013, during the two fiscal quarters ended May 5, 2013, the Company repurchased 0.7 million shares for an aggregate of purchase price of \$24 million in cash.

On April 10, 2013, our Board authorized the Company to repurchase up to 20 million of its ordinary shares in open market transactions, referred to as the 2013 share repurchase program. This replaced the 2012 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 AGM, unless earlier terminated. Under the 2013 share repurchase program, the Company repurchased and retired 1.0 million shares for an aggregate purchase price of \$38 million in cash during the fiscal quarter ended August 4, 2013.

The Company repurchased and retired an aggregate of 1.0 million and 1.7 million shares, for an aggregate purchase price of \$38 million and \$62 million in cash, during the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively under its 2012 and 2013 share repurchase programs.

Share repurchases under our share repurchase programs are made in the open market at such times and in such amounts as the Company deems appropriate. The timing and actual number of shares repurchased depend on a variety of factors including price, market conditions and applicable legal requirements. The 2013 share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended from time to time or terminated at any time without prior notice.

On September 4, 2013, the Board declared an interim cash dividend on the Company's ordinary shares of \$0.23 per share, payable on September 30, 2013 to shareholders of record at the close of business (5:00 p.m.), Eastern Time, on September 19, 2013.

Our cash and cash equivalents decreased by \$221 million to \$863 million at August 4, 2013 from \$1,084 million at October 28, 2012. The decrease was largely due to the \$372 million and \$37 million in cash paid for the CyOptics and Javelin

acquisitions, respectively, \$179 million in cash paid for capital expenditures, \$141 million in dividends paid to our shareholders, and \$62 million of cash paid to repurchase 1.7 million of our ordinary shares. The decrease was offset by \$513 million cash provided by operating activities and \$60 million in cash received from the issuance of ordinary shares upon exercises of options and ESPP purchases under our employee equity incentive plans.

We believe that our cash and cash equivalents on hand, and cash flows from operations, combined with current availability under our revolving credit facility, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending, quarterly cash dividends (if and when declared by our Board) and any share repurchases we may choose to make under our 2013 share repurchase program for at least the next 12 months.

We anticipate that our capital expenditures for fiscal year 2013 may be incrementally higher than for fiscal year 2012, due primarily to spending on capacity expansion in our Fort Collins internal fabrication facility.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines, such as our recent acquisitions of CyOptics and Javelin. Any such transaction could require significant use of our cash and cash equivalents, or require us to issue debt or equity securities, or borrow under our revolving credit facility to fund the transaction. If we do not have sufficient cash to fund our operations or finance growth opportunities, including acquisitions, or unanticipated capital expenditures, our business and financial condition could suffer. We could also reduce certain expenditures such as repurchases of our ordinary shares and payment of our quarterly cash dividend. In such circumstances we may also seek to obtain debt or equity financing in the future. However, we cannot assure that such additional financing will be available on terms acceptable to us or at all. Our ability to service any indebtedness we may incur, including under our revolving credit facility, will depend on our ability to generate cash in the future. In addition, even though we may not need additional funds, we may still elect to sell additional debt or equity securities or increase our current credit facility for other reasons.

In summary, our cash flows were as follows (in millions):

	Three Fiscal Quarters Ended	
	August 4, 2013	July 29, 2012
Net cash provided by operating activities	\$ 513	\$ 478
Net cash used in investing activities	(598)	(170)
Net cash used in financing activities	(136)	(164)
Net (decrease) increase in cash and cash equivalents	\$ (221)	\$ 144

Cash Flows for the Three Fiscal Quarters Ended August 4, 2013 and July 29, 2012

Operating Activities

Net cash provided by operating activities during the three fiscal quarters ended August 4, 2013 was \$513 million. The net cash provided by operating activities was principally due to net income of \$380 million, which includes non-cash charges of \$186 million that were partially offset by changes in operating assets and liabilities of \$53 million. The non-cash charges of \$186 million included \$129 million for depreciation and amortization and \$55 million of non-cash, share-based compensation.

Accounts receivable increased to \$365 million at August 4, 2013 from \$341 million at the end of fiscal year 2012. The number of days sales outstanding increased to 52 days at August 4, 2013 from 51 days at October 28, 2012 due to the 5-day unfavorable impact of the inclusion of CyOptics accounts receivable, partially offset by timing of collections. We use the current fiscal quarter revenue and accounts receivable at fiscal quarter end in our calculation of number of days sales outstanding.

Inventory increased to \$284 million at August 4, 2013 from \$194 million at the end of fiscal year 2012. The number of days of inventory on hand increased to 80 days at August 4, 2013 compared to 58 days at October 28, 2012, due primarily to an increase in inventory to prepare for an anticipated increase in demand from our wireless communications target market, inventory acquired from CyOptics, as well as significant lifetime purchases of certain wafers and other materials in the three fiscal quarters ended August 4, 2013. Of the 80 days and 58 days of inventory on hand as at August 4, 2013 and October 28, 2012, 9 days and 8 days were attributable to these lifetime purchases, respectively. Inventory on hand as at August 4, 2013 was also adversely impacted by 5 days due to inventory acquired from CyOptics. We use the current quarter cost of products sold and inventory at fiscal quarter end in our calculation of days on hand of inventory.

Other current assets increased to \$129 million at August 4, 2013 from \$72 million at the end of fiscal year 2012, primarily due to a \$2 million increase in prepaid expenses, a \$3 million increase in receivables from our contract manufacturers for materials purchased by us on their behalf to secure pricing, an \$8 million increase in advances made to certain of our existing distributors for anticipated distributor price adjustments, an \$8 million net increase in current deferred tax assets attributable to the CyOptics and Javelin acquisitions, a \$10 million increase due to the CyOptics employee retention plan, a \$27 million increase due to the change in the fair market value and classification as short-term marketable securities investments to other

current assets from long-term assets and an increase in the fair market value of deferred compensation plan assets during the fiscal quarter ended August 4, 2013. These increases were partially offset by a \$1 million decrease in receivables from intellectual property-related revenue and a \$1 million decrease in deposits paid for fixed assets.

Current liabilities increased to \$380 million at August 4, 2013 from \$346 million at the end of fiscal year 2012, primarily due to increases in employee compensation and benefits and accounts payable, partially offset by decreases in other current liabilities. Employee compensation and benefits increased to \$80 million at August 4, 2013 compared to \$61 million at the end of fiscal year 2012 primarily due to an \$11 million increase in accruals under our employee bonus program related to our overall profitability, a \$5 million increase in salary payable, other commissions and employee benefits, and a \$3 million increase due to employee contributions to the ESPP, 401k and flexible spending plans. Accounts payable increased to \$266 million at August 4, 2013 from \$248 million at the end of fiscal year 2012 mainly due to timing of disbursements. Other current liabilities decreased to \$32 million at August 4, 2013 from \$36 million at the end of fiscal year 2012 due to a \$12 million decrease in income, sales and use tax payables and a \$1 million decrease in supplier liabilities, and a \$1 million decrease in accrued sales commissions, partially offset by a \$2 million increase in deferred sales and support income.

Net cash provided by operating activities during the three fiscal quarters ended July 29, 2012 was \$478 million. The net cash provided by operating activities was principally due to net income of \$404 million, which includes \$6 million of insurance proceeds received in respect of claims relating to the flooding in Thailand, and non-cash charges of \$163 million, partially offset by changes in operating assets and liabilities of \$89 million. The non-cash charges of \$163 million included \$115 million for depreciation and amortization and \$39 million of share-based compensation.

Accounts receivable increased to \$330 million at July 29, 2012 from \$328 million at the end of fiscal year 2011. The number of days sales outstanding increased to 50 days at July 29, 2012 from 48 days at October 30, 2011 due to linearity of revenue. We use the current quarter revenue and accounts receivable at quarter end in our calculation of number of days sales outstanding.

Inventory increased to \$216 million at July 29, 2012 from \$194 million at the end of fiscal year 2011. The number of days of inventory on hand increased to 66 days at July 29, 2012 compared to 58 days at October 30, 2011 due to an increase in inventory to prepare for an anticipated increase in demand, as well as a significant wafer purchase in the quarter ended April 29, 2012 to secure advantageous pricing. We use the current quarter cost of products sold and inventory at quarter end in our calculation of days on hand of inventory.

Other current assets increased to \$62 million at July 29, 2012 from \$42 million at the end of fiscal year 2011 primarily due to a \$6 million increase in advances made to certain of our existing distributors for anticipated distributor price adjustments, a \$5 million increase in receivables from our contract manufacturers for materials purchased on their behalf and a \$4 million increase in receivables from intellectual property-related revenue. During the second quarter of fiscal year 2012, we entered into agreements with certain distributors whereby we agreed to advance cash to them to fund estimated price adjustments. These advances are estimated based on an agreed percentage of the rolling previous three months average ending inventory as reported by the distributor multiplied by the rolling previous three months price adjustment credits as a percentage of the distributor's reported rolling previous three months resales. The terms of these advances are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances, and are due upon demand. The agreements governing these advances can be cancelled by us at any time. Such advances have no impact on revenue recognition or our unaudited condensed consolidated statements of operations and are recorded in other current assets on our unaudited condensed consolidated balance sheets.

Current liabilities decreased to \$342 million at July 29, 2012 from \$350 million at the end of fiscal year 2011 primarily due to a decrease in employee compensation and benefits accruals and other current liabilities, partially offset by an increase in accounts payable. Employee compensation and benefits accruals decreased to \$69 million at July 29, 2012 from \$89 million at fiscal year 2011 mainly due to payments made under our employee bonus plan in respect of fiscal year 2011 performance. Other current liabilities decreased due to a \$3 million release of warranty accruals and \$3 million recognition of previously deferred revenue. Accounts payable increased to \$239 million from \$221 million at the end of fiscal year 2011 mainly due to timing of disbursement.

Investing Activities

Net cash used in investing activities for the three fiscal quarters ended August 4, 2013 was \$598 million, primarily due to the \$372 million and \$37 million in cash paid in connection with the acquisitions of CyOptics and Javelin, respectively, \$179 million in purchases of property, plant and equipment in connection with the continued expansion of our manufacturing facility in Fort Collins, Colorado, and \$10 million in purchases of short-term marketable equity securities.

Net cash used in investing activities for the three fiscal quarters ended July 29, 2012 was \$170 million, primarily due to purchases of property, plant and equipment in connection with the continued expansion of our manufacturing facility in Fort Collins, Colorado.

Financing Activities

Net cash used in financing activities for the three fiscal quarters ended August 4, 2013 was \$136 million. The net cash used in financing activities was principally due to an aggregate of \$141 million in payments of cash dividends to shareholders, the payment of an aggregate of \$62 million to repurchase and cancel 1.7 million of our ordinary shares under our share repurchase programs. This was offset by \$60 million in net proceeds provided by the exercise of options and purchases under our ESPP, proceeds from research and development grants of \$5 million and an excess tax benefit of \$3 million.

Net cash used in financing activities for the three fiscal quarters ended July 29, 2012 was \$164 million. The net cash used in financing activities was principally due to an aggregate of \$98 million in payments of cash dividends to shareholders and the payment of an aggregate of \$100 million to repurchase and cancel 3.2 million of our ordinary shares under our 2011 and 2012 share repurchase programs. This was partially offset by \$28 million in net proceeds provided by the exercise of options and purchases under our ESPP.

Indebtedness

As of August 4, 2013, we had \$3 million of capital lease obligations. At such date, we also had \$300 million of borrowing capacity available under our revolving credit facility. We had no borrowings outstanding, and were in compliance with our covenants, under our revolving credit facility as of August 4, 2013.

Contractual Commitments

See Note 11 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

There were no other substantial changes to our contractual commitments during the first three quarters of fiscal year 2013 from those disclosed in our 2012 Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at August 4, 2013 as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Indemnifications

See Note 11 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Accounting Changes and Recent Accounting Standards

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our unaudited condensed consolidated financial statements, see Note 1 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information presented in Part II, Item 7A. “Quantitative and Qualitative Disclosures About Market Risk,” in our 2012 Annual Report on Form 10-K other than those noted below.

Foreign Currency Derivative Instruments

We enter into foreign exchange forward contracts to hedge a portion of our exposures to changes in currency exchange rates as a result of our global operating and financing activities. Gains and losses from foreign currency transactions, as well as derivative instruments, were included in our unaudited condensed consolidated statements of operations in the amounts of a \$0 million loss and a \$1 million loss for the fiscal quarter and three fiscal quarters ended August 4, 2013, respectively. The amounts were not material for the fiscal quarter and three fiscal quarters ended July 29, 2012.

European Debt Exposures

We actively monitor our exposure to the European financial markets, including the impact of sovereign debt issues. We also mitigate our risk by investing in fixed deposits with various financial institutions and we limit the amount we hold with any one institution. We do not have any direct investments in the sovereign debt of European countries. From time to time, we may have deposits with major European financial institutions. We also mitigate collection risks from our customers by performing regular credit evaluations of our customers' financial conditions and require collateral, such as letters of credit and bank guarantees, in certain circumstances. As of August 4, 2013, we do not believe that we have any material direct or indirect exposure to the European financial markets.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures as of August 4, 2013. We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our Exchange Act filings is properly and timely recorded, processed, summarized and reported. These disclosure controls and procedures are also intended to ensure that information is accumulated and communicated to management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. Based on this evaluation, our CEO and CFO concluded that, as of August 4, 2013, our disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Controls Over Financial Reporting.* There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, please refer to Part I, Item 1. Financial Statements—Note 11, Commitments and Contingencies of this Quarterly Report on Form 10-Q. For an additional discussion of certain risks associated with legal proceedings, please see Item 1A. Risk Factors immediately below

Item 1A. Risk Factors

A description of some of the primary risk factors associated with our business is set forth below. We review and, where applicable, update our risk factors each quarter. The description set forth below supersedes the description of the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the fiscal quarter ended May 5, 2013. These risk factors, which could materially affect our business, financial conditions or results of operations, are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently do not deem to be material may also adversely affect our business, financial condition or results of operations.

Risks Related to Our Business

Adverse global economic conditions could have a negative effect on our business, results of operations and financial condition and liquidity.

Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the semiconductor industry generally, as well as in our target markets, which adversely affected our business and results of operations. In recent periods, market and business conditions in general have been adversely affected by investor and customer concerns about the global economic outlook, including concerns about economic recovery in the United States and the level of growth in China. In addition, U.S. and global economic conditions could be exacerbated by the negative effects on economic growth resulting from the concerns about, and the effects of, the U.S. fiscal and monetary policies, any related spending cuts and tax increases and the possibility of further downgrades to the U.S. government's credit rating. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses. Sustained uncertainty about, or worsening of, current global economic conditions will likely cause our customers and consumers to reduce or delay spending, leading to reduced demand for our products, could lead to the insolvency of key suppliers (resulting in product delays) and customers and intensify pricing pressures. Any or all of these factors could negatively affect our business, financial condition and result of operations.

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, frequent new product introductions, short product life cycles (for semiconductors and for the end products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns have been characterized by diminished demand for end-user products, high inventory levels and periods of inventory adjustment, under-utilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices, resulting in an adverse effect on our business, financial condition and results of operations. We expect our business to continue to be subject to cyclical downturns even when overall economic conditions are relatively stable. To the extent we cannot offset recessionary periods or periods of reduced growth that may occur in the industry, or in our target markets in particular, through increased market share or otherwise, our business could be adversely affected, net revenues may decline and financial condition and results of operations may suffer. In addition, in any future economic downturn we may be unable to reduce our costs quickly enough to maintain our operating profitability.

Our operating results are subject to substantial quarterly and annual fluctuations.

Our revenues and operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations may occur on a quarterly and annual basis and are due to a number of factors, many of which are beyond our control. These factors include, among others:

- the timing of launches by our customers of new products, such as cell phones, in which our products are included and changes in end-user demand for the products manufactured and sold by our customers;
- the timing of receipt, reduction or cancellation of significant orders by customers;
- fluctuations in the levels of component inventories held by our customers;
- customer concentration and the gain or loss of significant customers;
- market acceptance of our products and our customers' products;

- changes in our product mix or customer mix and their effect on our gross margin;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- the timing and extent of our non-product revenue, such as product development revenues and royalty and other payments from intellectual property sales and licensing arrangements;
- our ability to successfully and timely integrate, and realize the benefits of, our acquisition of CyOptics and any other significant acquisitions we may make;
- new product announcements and introductions by us or our competitors;
- timing and amount of research and development and related new product expenditures, and the timing of receipt of any research and development grant monies;
- seasonality or cyclical fluctuations in our markets;
- currency fluctuations;
- utilization of our internal manufacturing facilities;
- fluctuations in manufacturing yields;
- significant warranty claims, including those not covered by our suppliers or our insurers;
- availability and cost of raw materials from our suppliers;
- intellectual property disputes and associated litigation expenses;
- loss of key personnel or the shortage of available skilled workers;
- the effects of competitive pricing pressures, including decreases in average selling prices of our products;
- the timing of acquisitions of, or making and exiting investments in, other entities, businesses or technologies; and
- changes in our tax incentive arrangements or structure, which may adversely affect our net tax expense in any quarter in which such an event occurs.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly or annual operating results. In addition, a significant amount of our operating expenses are relatively fixed in nature due to our significant sales, research and development and internal manufacturing overhead costs. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful or a reliable indicator of our future performance. If our operating results in one or more future quarters fail to meet the expectations of securities analysts or investors, an immediate and significant decline in the trading price of our ordinary shares may occur.

The majority of our sales come from a small number of customers and the demands or loss of one or more of our significant customers may adversely affect our business.

We are dependent on a reasonably small number of direct customers, OEMs and distributors for a majority of our business, revenue and results of operations. During the fiscal quarter ended August 4, 2013, direct sales to Foxconn accounted for 16% of our net revenue. During the three fiscal quarters ended August 4, 2013, direct sales to Foxconn accounted for 17% of our net revenue. Our top 10 direct customers for the fiscal quarter and three fiscal quarters ended August 4, 2013, which included three distributors, collectively accounted for 63% and 64% of our net revenue, respectively. However, we also believe our aggregate sales to Apple Inc. and Cisco Systems, Inc. when direct sales are combined with indirect sales to them through the respective contract manufacturers that they utilize, each accounted for more than 10% of our net revenues for the fiscal quarter and three fiscal quarters ended August 4, 2013. We expect to continue to experience significant customer concentration in future periods.

This customer concentration increases the risk of quarterly fluctuations in our revenues and operating results. In addition, our top customers' purchasing power has, in some cases, given them the ability to make greater demands on us with regard to pricing and contractual terms in general. We expect this trend to continue, which may adversely affect our gross margins on certain products. In addition, we expect this will result in our results of operations becoming increasingly sensitive to deterioration in the financial condition of, or other adverse developments related to, one or more of our significant customers. Although we believe that our relationships with our major customers are good, we generally do not have long-term contracts with any of them, which is typical of our industry. Although our customers provide indications of their product needs and purchases on an annual basis, they generally purchase our products on a weekly or daily basis and the relationship, as well as particular orders, can be terminated at any time. In order to ensure availability of our products for some of our largest customers, we start the manufacturing of our products in advance of receiving purchase orders, based on forecasts provided by

these customers. These forecasts are not binding purchase commitments and, as a result, we incur inventory and manufacturing costs in advance of anticipated sales. Since actual demand for our products may not match these forecasts, manufacturing on this basis subjects us to increased risks of high inventory carrying costs, product obsolescence and increased operating costs. In addition, the loss of any of our major direct or indirect customers, or any substantial reduction in sales to any of these customers, could have a material adverse effect on our business, financial condition and results of operations.

We are increasingly dependent on the mobile handset market, which is volatile and is characterized by short product life cycles, fluctuations in demand, seasonality and increasingly high customer concentration any of which could negatively impact our business or results of operations.

A substantial and increasing portion of our revenue is generated from sales of products for use in mobile handsets. During the fiscal quarter and three fiscal quarters ended August 4, 2013, revenue from our wireless communications target market accounted for 45% and 49% of our net revenue, respectively. The mobile handset market is characterized by intense competition among an increasingly concentrated group of OEMs, rapidly evolving technology, and changing consumer preferences. These factors result in the frequent introduction of new products, aggressive price competition, short product life cycles, and continually evolving mobile handset specifications. If we, our customers or mobile handset OEMs are unable to manage product transitions, our business and results of operations could be negatively affected. Our success in this market is also dependent on the broad commercial acceptance of the mobile handsets into which our products are incorporated, as well as increasing the amount of our products in successive generations of those handsets. If the mobile handsets into which our products are designed do not achieve significant customer acceptance, our revenue will be adversely affected. Similarly, even though we may achieve design wins for a particular handset, we may not be designed into the next generation of a particular handset or new model of handset, which could result in a sharp decrease in our revenues.

In the mobile handset market, demand is typically stronger in the second half of the year than the first half of the year. However, if mobile handset OEMs inaccurately forecast consumer demand, this may lead to significant changes in orders to their component suppliers. We have experienced both increases and decreases in orders within the same quarter, often with limited advance notice, and we expect such increases and decreases to occur in the future. In addition, although the worldwide wireless handset market is large, growth trends and other variables are often uncertain and difficult to predict. Since the wireless handset market is a consumer-driven market, changes in the economy that affect consumer demand can adversely affect our business and operating results.

Winning business is subject to lengthy, competitive selection processes that require us to incur significant expense. Even if we begin a product design, a customer may decide to cancel or change its product plans, which could cause us to generate no revenues from a product and adversely affect our results of operations.

We are focused on winning competitive bid selection processes, known as “design wins,” to develop semiconductors for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. These risks are exacerbated by the fact that many of our products and the end products into which our products are incorporated often have very short life cycles. For example, cell-phone manufacturers regularly introduce new or upgraded handsets, often every 12 to 18 months and sometimes more frequently, and will bid out the components for each new model, and often every upgrade of a particular model. Failure to obtain a design win sometimes prevents us from offering an entire generation of a product. This can result in lost revenues and could weaken our position in future competitive selection processes.

Winning a product design does not guarantee sales to a customer. We may experience delays in generating revenue from our products as a result of the lengthy development cycle typically required, or may not realize as much revenue as we had anticipated. In addition, a delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we may have incurred significant expense in the design process and generated little or no revenue. Customers could choose at any time to stop using our products or may fail to successfully market and sell their products, which could reduce demand for our products and materially adversely affect our business, financial condition and results of operations.

Finally, the timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins occurring at or around the same time, may strain our resources and those of our contract manufacturers. In such event we may be forced to dedicate significant additional resources and incur additional, unanticipated costs and expenses, which may have a material adverse effect on our results of operations.

Competition in our industry could prevent us from growing our revenue and from raising prices to offset increases in costs.

The global semiconductor market is highly competitive. We compete in different target markets to various degrees on the basis of, among other things, quality, technical performance, price, product features, product system compatibility, system-level design capability, engineering expertise, responsiveness to customers, new product innovation, product availability, delivery timing and reliability, and customer sales and technical support. Current and prospective customers for our products evaluate our capabilities against the merits of our direct competitors. Some of our competitors are well established, have a more extensive product portfolio, have substantially greater market share and manufacturing, financial, research and development and marketing resources to pursue development, engineering, manufacturing, marketing and distribution of their products. In addition, many of our competitors have longer independent operating histories, greater presence in key markets, more comprehensive patent protection and greater name recognition. We compete with integrated device manufacturers, or IDMs, and fabless semiconductor companies as well as the internal resources of large, integrated OEMs. Our competitors range from large, international companies offering a wide range of semiconductor products to smaller companies specializing in narrow markets. We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their product offerings. In addition, companies not currently in direct competition with us may introduce competing products in the future. Because our products are often building block semiconductors providing functions that in some cases can be integrated into more complex ICs, we also face competition from manufacturers of ICs, as well as customers that develop their own IC products.

Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends. During past periods of downturns in our industry, competition in the markets in which we operate intensified as manufacturers of semiconductors reduced prices in order to combat production overcapacity and high inventory levels. The actions of our competitors, particularly in the area of pricing, can have a substantial adverse impact on our revenues, and potentially on revenues in specific industry end markets. In periods where the semiconductor industry experiences significant declines, manufacturers in financial difficulties or in bankruptcy may implement pricing structures designed to ensure short-term market share and near-term survival, rather than securing long-term viability. In addition, many of our competitors have substantially greater financial and other resources than us with which to withstand adverse economic or market conditions and any associated pricing actions of other market participants in the future.

The acquisition of CyOptics and the integration of its business, operations and employees with our own involve risks and the failure to integrate successfully in the expected time frame may adversely affect our future results.

Our ability to integrate significant acquisitions is unproven, and any failure to successfully integrate the business, operations and employees of CyOptics, which we acquired on June 28, 2013, or to otherwise realize the anticipated benefits of the acquisition, could harm our result of operations. Our ability to realize these benefits will depend, in part, on the timely integration and consolidation of organizations, operations, facilities, procedures, policies and technologies, and the harmonization of differences in the business cultures between the two companies and their personnel. Even with proper planning and implementation, integration of the CyOptics business will be complex and time-consuming, will involve additional expense and could disrupt our business and divert management's attention from ongoing business concerns. The challenges involved in integrating CyOptics include:

- combining and rationalizing our respective product offerings;
- preserving customer, supplier and other important relationships of both CyOptics and Avago;
- improving gross margin (including by improving fabrication facility, or fab, utilization rates) and maintaining or improving average selling prices of CyOptics products;
- coordinating and integrating operations in Mexico, a country in which Avago has not previously operated;
- integrating financial forecasting and controls, procedures and reporting cycles;
- combining and integrating IT systems; and
- integrating employees and related HR systems and benefits, maintaining employee morale and retaining key employees.

The benefits we expect to realize from the acquisition of CyOptics are, necessarily, based on projections and assumptions about the combined businesses of Avago and CyOptics and assume, among other things, the successful integration of CyOptics into our business and operations. We may not successfully integrate CyOptics and our operations in a timely manner, or at all. If we do not realize the anticipated benefits of this transaction, our growth strategy and future profitability could be affected.

In addition, our future effective tax rate is likely to increase as a result of the acquisition of CyOptics, because the majority of CyOptics revenue is generated in the United States, which has a higher statutory tax rate than many other jurisdictions in which we operate and such revenues will not receive the benefits of the tax incentive arrangements we have negotiated in

Singapore and Malaysia. Similarly, the acquisition will significantly increase the amount of our goodwill and other intangible assets, which could adversely affect our future results of operations. The acquisition of CyOptics may also have an adverse effect on our gross margins, as CyOptics products typically carry a lower average gross margin, as a percentage of revenue, than Avago products.

We may pursue acquisitions, dispositions, investments and joint ventures, which could affect our results of operations.

We may make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance, or joint venture opportunities or that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful. From time to time, we may divest portions of our business that are no longer strategically important or exit minority investments, which could materially affect our cash flows and results of operations for the period in which such events occur.

These transactions or any other acquisitions or dispositions involve risks and uncertainties. For example, the integration of acquired businesses may not be successful and could result in disruption to other parts of our business. In addition, the integration may require that we incur significant restructuring charges, including as a result of streamlining, or divesting non-core portions of, acquired businesses. To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of these integrations may be further complicated by such factors as the size of the business or entity acquired, geographic distances, lack of experience operating in the geographic market or industry sector of the acquired business, delays and challenges associated with integrating the business with our existing businesses, diversion of management's attention from daily operations of the business, potential loss of key employees and customers of the acquired business, the potential for deficiencies in internal controls at the acquired or combined business, performance problems with the acquired business' technology, difficulties in entering markets in which we have no or limited direct prior experience, exposure to unanticipated liabilities of the acquired business, insufficient revenues to offset increased expenses associated with the acquisition, and our potential inability to achieve the growth prospects and synergies expected from any such acquisition. Even when an acquired business has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that all pre-acquisition due diligence will have identified all material issues that might arise with respect to such acquired business.

Any acquisition may also cause us to assume liabilities and ongoing lawsuits, acquire goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential impairment charges, incur amortization expense related to certain intangible assets, increase our expenses and working capital requirements, and subject us to litigation, which would reduce our return on invested capital. In addition, if the businesses or products lines that we acquire have a different pricing or cost structure than we do, such acquisitions may adversely affect our profitability and reduce our overall margin. Failure to manage and successfully integrate the acquisitions we make or to improve margins of the acquired businesses and products could materially harm our business, operating results and margins.

Any future acquisitions may require significant additional debt or equity financing, which, in the case of debt financing, would increase our leverage and potentially affect our credit ratings, and in the case of equity financing, would be dilutive to our existing shareholders. Any downgrades in our credit ratings associated with an acquisition could adversely affect our ability to borrow by resulting in more restrictive borrowing terms. As a result of the foregoing, we also may not be able to complete acquisitions or other strategic transactions in the future to the same extent as in the past, or at all. These and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business, financial condition and results of operations.

Dependence on contract manufacturing and outsourcing other portions of our supply chain may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.

We operate a primarily outsourced manufacturing business model that principally utilizes third-party foundry and module assembly and test capabilities. As a result, we are highly reliant on third-party foundry wafer fabrication capacity, including single-sourcing for many components or products. For certain of our product families, substantially all of our revenue from those products is derived from semiconductors fabricated by external foundries such as Taiwan Semiconductor Manufacturing Company Ltd. and WIN Semiconductor Corp. Most of our products are designed to be manufactured in a specific process, typically at one particular foundry with a particular contract manufacturer. We also use third-party contract manufacturers for a significant majority of our assembly and test operations, including Amertron Incorporated, ASE Korea Inc., and Inari Technology SDN BHD.

The ability and willingness of our contract manufacturers to perform is largely outside of our control. If one or more of our contract manufacturers or other outsourced providers fails to perform its obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and to timely deliver products to our customers, and our reputation could

suffer. Suppliers may extend lead times, limit supplies, increase prices or discontinue parts due to capacity constraints, changes to manufacturing processes or other factors. In addition, some parts are not readily available from alternate suppliers due to their unique design or the length of time necessary for design work. If one of our suppliers, particularly a single-source supplier, ceases to, or is unable to, manufacture such a component, or changes its manufacturing process, or if supply is otherwise constrained, we may need to transition the manufacture of that product to another foundry or contract manufacturer or source alternative parts, which may be difficult, expensive and take an extended period of time. We may also be forced to make a significant "lifetime" purchase of the affected product, in order to enable us to meet our customer demand, or to re-engineer a product. Significant lifetime purchases of such discontinued components could significantly increase our inventory and other expenses, such as insurance costs, and expose us to additional risks, such as the loss of, or damage to, products which may not subsequently be available to us from an alternative source. Such supply issues may also cause us to fail to timely meet customer demand. This could result in the payment of significant damages by us to our customers, and our net revenue could decline. In such events, our business, financial condition and results of operations would be adversely affected.

We review our supply chain on an ongoing basis and may seek to qualify second source manufacturers and suppliers for some components and products. Qualifying such second sources may be a lengthy and potentially costly process.

To the extent we rely on third-party manufacturing relationships, we face the following risks:

- inability of our manufacturers to develop manufacturing methods appropriate for our products, manufacturers' lack of sufficient capacity, or their unwillingness to devote adequate capacity, to produce our products and unanticipated changes to their manufacturing processes;
- inaccuracies in the forecasts of our product needs from our manufacturers;
- product and manufacturing costs that are higher than anticipated;
- reduced control over product reliability and delivery schedules;
- more complicated supply chains; and
- time, expense and uncertainty in identifying and qualifying additional or replacement manufacturers.

Much of our outsourcing takes place in developing countries, and as a result may additionally be subject to geopolitical uncertainty. See “— Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations.”

A prolonged disruption of our manufacturing facilities or other significant operations could have a material adverse effect on our business, financial condition and results of operations.

Although we operate using a primarily outsourced manufacturing business model, we also rely on the manufacturing facilities we own, in particular our gallium arsenide, or GaAs, fabs in Fort Collins, Colorado and Singapore, and our InP fab in Breinigsville, Pennsylvania and InP back-end assembly facility in Matamoros, Mexico acquired as part of the CyOptics transaction. We maintain our internal fabrication facilities for products utilizing our innovative materials and processes, to protect our intellectual property, to develop the technology for manufacturing and to ensure supply of certain components. We are currently expanding our Fort Collins facility to support anticipated growth in sales of our proprietary products, particularly for our wireless target market, and to leverage our fixed costs. Unanticipated delays in the construction of this expansion, or the failure of suppliers to timely deliver tools and other equipment needed to commence manufacturing in the expanded facility, could result in significant additional costs, and could result in us being unable to timely satisfy customer demand for the products we plan to manufacture at the expanded facility, all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, a prolonged disruption or material malfunction of, interruption in, or the loss of operations at, one or more of our production facilities, especially our Fort Collins, Singapore, Breinigsville and Matamoros facilities, or the failure to maintain our labor force at one or more of these facilities, would limit our capacity to meet customer demands and delay new product development until a replacement facility and equipment, if necessary, were found. The replacement of any of our manufacturing facilities could take an extended amount of time and significant expenditures on our part before manufacturing operations could restart. The potential delays and significant costs resulting from such steps could have a material adverse effect on our business, financial condition and results of operations.

If we or our contract manufacturers suffer loss or significant damage to our factories, facilities or distribution system due to catastrophe, our operations could be seriously harmed.

Our factories, facilities and distribution system, and those of our contract manufacturers, are subject to risk of catastrophic loss due to fire, flood, earthquake or other natural or man-made disasters. The majority of our facilities and those of our contract manufacturers are located in the Pacific Rim region, a region with above average seismic and severe weather activity. In addition, our research and development personnel are concentrated in a few locations, primarily Malaysia, Singapore, South Korea, Fort Collins, Colorado, San Jose, California, and Breinigsville, Pennsylvania, with the expertise of the personnel at each such location tending to be focused on one or two specific areas. Any catastrophic natural disaster in those regions or

catastrophic loss or significant damage to any of our facilities or those of our contract manufacturers in those regions would likely disrupt our operations, delay production, shipments and revenue and could materially and adversely affect our business. Such events could also result in significant expenses to repair or replace our affected facilities, and in some instances could significantly curtail our research and development efforts in a particular product area or target market.

We generally do not have any long-term supply contracts with our contract manufacturers or materials suppliers and may not be able to obtain the products or raw materials required for our business, which could have a material adverse affect on our business.

We either obtain the products we need for our business from third-party contract manufacturers or we obtain the materials we need for our products from suppliers, some of which are our single source suppliers for these materials. We purchase a significant portion of our semiconductor materials and finished goods from a few suppliers and contract manufacturers. For the first three quarters of fiscal year 2013, we purchased 52% of the materials for our manufacturing processes from five suppliers. For fiscal year 2012, we purchased 54% of the materials for our manufacturing processes from six suppliers. Substantially all of our purchases are on a purchase order basis, and we have not generally entered into long-term contracts with our contract manufacturers or suppliers. In the event that these purchase orders or relationships with suppliers are terminated, we cannot obtain sufficient quantities of raw materials at reasonable prices, the quality of the material deteriorates, we fail to satisfy our customers' requirements or we are not able to pass on higher materials or energy costs to our customers, our business, financial condition and results of operations could be adversely impacted.

Our manufacturing processes rely on many materials, including silicon and GaAs and InP wafers, copper lead frames, precious metals, mold compound, ceramic packages and various chemicals and gases. From time to time, suppliers may extend lead times, limit supplies or increase prices due to commodity price increases, capacity constraints or other factors. Although we believe that our current supplies of materials are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

Failure to adjust our supply chain volume due to changing market or other conditions or failure to accurately estimate our customers' demand could adversely affect our results of operations.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on contract manufacturing and outsourcing, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to accurately estimate future customer requirements. Our results of operations could be harmed if we are unable to adjust our supply chain volume to address market fluctuations, including those caused by the seasonal or cyclical nature of the markets in which we operate, or by other unanticipated events such as natural disasters. In addition, the sale of our products is dependent, to a large degree, on customers whose industries are subject to seasonal or cyclical trends in the demand for their products. For example, the smartphone market is particularly volatile and is subject to seasonality related to the holiday selling season, making demand difficult to anticipate.

Severe supply chain disruptions, such as those caused by large scale natural disasters, can adversely affect our, and our customers', ability to source materials and components needed to manufacture products. In such event, even if we are able to promptly resume production of our affected products, if our customers cannot timely resume their own manufacturing following such an event, they may cancel or scale back their orders from us and this may in turn adversely affect our results of operations.

From time to time, customers may require rapid increases in production, for example when they are ramping up for a new product launch, such as a new generation cell phone, which can challenge our resources and reduce margins. We may not be able to purchase sufficient supplies or components or secure sufficient contract manufacturing capacity, to meet such increases in product demand. This could harm our reputation, prevent us from taking advantage of opportunities, reduce revenue growth and subject us to additional liabilities if we are not able to timely satisfy customer orders.

In order to secure components for the production of our products, we may enter into non-cancelable purchase commitments with vendors or make advance payments to suppliers, which could reduce our ability to adjust our inventory or expense levels to declining market demands. Prior commitments of this type have resulted in an excess of parts when demand for our products has decreased. Downturns in the semiconductor industry have in the past caused, and may in the future cause, our customers to reduce significantly the amount of products ordered from us. If demand for our products is less than we expect, we may experience excess and obsolete inventories and be forced to incur additional charges. Conversely, if OEMs order more of our products in any particular quarter than are ultimately required to satisfy end customer demand, inventories at these OEMs may grow in such quarter, which could adversely affect our product revenues in a subsequent quarter as such OEMs would likely reduce future orders until their inventory levels realign with end customer demand. In addition, because certain of our sales, research and development and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may decrease our gross margins and operating income.

We rely on third parties to provide corporate infrastructure services necessary for the operation of our business. Any failure of one or more of our vendors to provide these services could have a material adverse effect on our business.

We rely on third-party vendors to provide critical corporate infrastructure services, including, among other things, certain services related to accounting, billing, human resources, benefit plan administration, information technology, or IT, network development and network monitoring. We depend on these vendors to ensure that our corporate infrastructure will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable, high quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that any such damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Any failure of our corporate infrastructure could have a material adverse effect on our business, financial condition and results of operations. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Our gross margin is dependent on a number of factors, including our product mix, customer mix, commodity prices, non-product revenue, acquisitions we may make and level of capacity utilization.

Our gross margin is highly dependent on product mix, with proprietary products and products sold into our industrial & other target market typically providing higher gross margin than other products. A shift in sales mix away from our higher margin products could adversely affect our future gross margin percentages. In addition, OEMs are becoming increasingly price conscious when they design semiconductors from third party suppliers into their products. This sensitivity, combined with large OEMs' purchasing power, can lead to intense price competition among competing suppliers, which may require us to decrease our prices in order to win a design with an OEM customer. This can, in turn, adversely affect our gross margin. Our margin may also be affected by fluctuations in commodity prices, either directly in the price of the raw materials we buy, or as a result of prices increases passed on to us by our suppliers. We do not hedge our exposure to commodity prices, some of which (including gold and fuel prices) are very volatile, and sudden or prolonged increases in commodities prices may adversely affect our gross margin.

Our gross margin is also affected by the timing and amount of our non-product revenue, including non-refundable payments from customers for research and development projects during product development and intellectual property-related revenue such as licensing royalty payments and revenues from sales of intellectual property. Our non-product revenue is generally high margin, but fluctuates significantly from quarter to quarter.

Businesses or companies that we may acquire from time to time may have different gross margin profiles than us and could, therefore, affect our overall gross margin. For example, CyOptics products typically carry a lower gross margin, on average, than Avago products and, as a result, the acquisition of CyOptics may have an adverse effect on our gross margin unless we are able to improve the gross margins of the acquired business.

In addition, semiconductor manufacturing requires significant capital investment, leading to high fixed costs, including depreciation expense. Although we outsource a significant portion of our manufacturing activities, we do retain some semiconductor fabrication facilities. We are making substantial capital investments in our Fort Collins, Colorado manufacturing facility and we may not realize the benefit we anticipate from these investments. If we are unable to utilize our owned fabrication facilities at a high level, the fixed costs associated with these facilities, such as depreciation expense, will not be fully absorbed, resulting in higher average unit costs and lower gross margins. In the past, we have experienced periods where our gross margins declined due to, among other things, reduced factory utilization resulting from reduced customer demand, reduced selling prices and a change in product mix towards lower margin devices. Increased competition and the existence of product alternatives, more complex engineering requirements, lower demand, reductions in our technological lead, compared to our competitors, and other factors may lead to further price erosion, lower revenues and lower margins for us in the future.

If the tax incentive or tax holiday arrangements we have negotiated in Singapore and other jurisdictions change or cease to be in effect or applicable, in part or in whole, for any reason, or if our assumptions and interpretations regarding tax laws and incentive or holiday arrangements prove to be incorrect, the amount of corporate income taxes we have to pay could significantly increase.

We have structured our operations to maximize the benefit from various tax incentives and tax holidays extended to us in various jurisdictions to encourage investment or employment. For example, we have obtained several tax incentives from the Singapore Economic Development Board, an agency of the Government of Singapore, which provide that certain classes of income we earn in Singapore are subject to tax holidays or reduced rates of Singapore income tax. Each such tax incentive is separate and distinct from the others, and may be granted, withheld, extended, modified, truncated, complied with or terminated independently without any effect on the other incentives. In order to retain these tax benefits in Singapore, we must meet

certain operating conditions specific to each incentive relating to, among other things, maintenance of a treasury function, a corporate headquarters function, specified intellectual property activities and specified manufacturing activities in Singapore. Some of these operating conditions are subject to phase-in periods through 2015. The Singapore tax incentives are presently scheduled to expire at various dates generally between 2014 and 2025. Renewals and extensions of such tax incentives are in the discretion of the Singapore government, and we may not be able to extend these tax incentive arrangements after their expiration on similar terms or at all. We may elect not to seek to renew or extend certain tax incentive arrangements. Absent these tax incentives, the corporate income tax rate in Singapore that would otherwise apply to us would be 17%. For the fiscal years ended October 28, 2012, October 30, 2011, and October 31, 2010, the effect of all these tax incentives, in the aggregate, was to reduce the overall provision for income taxes from what it otherwise would have been in such year by approximately \$81 million, \$82 million, and \$63 million, respectively, and increase diluted net income per share by \$0.33, \$0.32, and \$0.26, respectively. The tax incentives that we have negotiated in Malaysia are also subject to our compliance with various operating and other conditions. If we cannot or elect not to comply with the operating conditions included in any particular tax incentive, we will lose the related tax benefits. In such event, we could be required to refund material tax benefits previously realized by us with respect to that incentive and, depending on the incentive at issue, could likely be required to modify our operational structure and tax strategy. Any such modified structure or strategy may not be as beneficial to us from an income tax expense or operational perspective as the benefits provided under the present tax concession arrangements.

Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows. In addition, taxable income in any jurisdiction is dependent upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm's length basis. Due to inconsistencies in application of the arm's length standard among taxing authorities, as well as lack of adequate treaty-based protection, transfer pricing challenges by tax authorities could, if successful, substantially increase our income tax expense. We are subject to, and are under, audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax positions are reasonable, the final determination of tax audits could be materially different from our recorded income tax provisions and accruals. The ultimate results of an audit could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made.

We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense and loss of our intellectual property rights.

The semiconductor industry is characterized by companies holding large numbers of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of intellectual property rights, including actions by patent-holding companies that do not make or sell products. From time to time, third parties assert against us and our customers and distributors their patent, copyright, trademark, trade secret and other intellectual property rights to technologies that are important to our business.

Litigation or settlement of claims that our products or processes infringe or misappropriate these rights, regardless of their merit, are frequently costly and divert the efforts and attention of our management and technical personnel. In addition, many of our customer agreements, and in some cases our asset sale agreements, require us to indemnify our customers or purchasers for third-party intellectual property infringement claims, which have required and may in the future require that we defend those claims, and might require that we pay damages in the case of adverse rulings. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. We do not know whether we will prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology;
- pay substantial damages for past, present and future use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall intellectual property portfolio and our ability to compete in particular product categories;
- indemnify customers or distributors;
- pay substantial damages to our customers or end users to discontinue use or replace infringing technology with non-infringing technology; or

- relinquish intellectual property rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

We utilize a significant amount of intellectual property in our business. If we are unable or fail to protect our intellectual property, our business could be adversely affected.

Our success depends in part upon protecting our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, copyrights, trademarks, trade secrets and similar intellectual property, as well as customary contractual protections with our customers, suppliers, employees and consultants. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights valuable to our business. We are unable to predict that:

- intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or, in the case of third-party intellectual property rights, licensed or sub-licensed to us, be licensed to others;
- our intellectual property rights will provide competitive advantages to us;
- rights previously granted by third parties to intellectual property rights licensed or assigned to us, including portfolio cross-licenses, will not hamper our ability to assert our intellectual property rights against potential competitors or hinder the settlement of currently pending or future disputes;
- any of our pending or future patent, trademark or copyright applications will be issued or have the coverage originally sought; or
- our intellectual property rights will be enforced in certain jurisdictions where competition may be intense or where legal protection may be weak.

In addition, our competitors or others may develop products or technologies that are similar or superior to our products or technologies, duplicate our products or technologies or design around our protected technologies. Effective patent, trademark, copyright and trade secret protection may be unavailable or more limited in one or more relevant jurisdictions, relative to those protections available in the United States, may not be applied for or may be abandoned in one or more relevant jurisdictions. We may elect to abandon or divest patents or otherwise not pursue prosecution of certain pending patent applications, due to strategic concerns or other factors. In addition, when patents expire, we lose the protection and competitive advantages they provided to us. From time to time we pursue litigation to assert our intellectual property rights, including, in some cases, against third parties with whom we have ongoing relationships, such as customers and suppliers, and third parties may pursue litigation against us. An adverse decision in such types of legal action could limit our ability to assert our intellectual property rights and limit the value of our technology, including the loss of opportunities to sell or license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others. In addition, such legal actions or adverse decisions could otherwise negatively impact our business, financial condition and results of operations.

From time to time we may need to obtain additional intellectual property licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms or at all.

We are subject to risks associated with our distributors' product inventories and product sell-through.

We sell many of our products to customers through distributors who maintain their own inventory of our products for sale to dealers and end users. We limit distributor return rights and we allow limited price adjustments on sales to distributors. Price adjustments may be effected by way of credits for future product or by cash payments to the distributor either in arrears or in advance based on estimates. We record reserves for distributor rights related to these limited stock returns and price adjustments. We recognize revenues for sales to distributors upon delivery to the distributors, net of estimated provisions for these stock return and price adjustment programs. We have extended these programs to certain distributors in the United States, Asia and Europe and may extend them on a selective basis to some of our other distributors in these geographies. The reserves recorded for these programs are based on significant judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors, and there could be significant differences between actual amounts and our estimates. These programs may require us to deploy a substantial amount of cash to fund them. As at August 4, 2013, we had an aggregate of approximately \$25 million on deposit with various distributors to fund these programs. The timing and mix of payments and credits associated with such price adjustments could change over time, which could adversely affect our cash flows. Sales to distributors accounted for 30% and 32% of our net revenue for the three fiscal quarters ended August 4, 2013 and fiscal year 2012, respectively.

If our distributors are unable to sell an adequate amount of their inventory of our products in a given quarter to dealers and end users or if they decide to decrease their inventories for any reason, such as due to adverse global economic conditions or due to any downturn in technology spending, our sales to these distributors and our revenues may decline. We also face the risk that our distributors may purchase, or for other reasons accumulate, inventory levels of our products in any particular quarter in excess of future anticipated sales to end-customers. If such sales do not occur in the time frame anticipated by these distributors for any reason, these distributors may substantially decrease the amount of product they order from us in subsequent periods until their inventory levels realign with end customer demand, which would harm our business and could adversely affect our product revenues in such subsequent periods. Our reserve estimates associated with products stocked by our distributors are based largely on reports that our distributors provide to us on a weekly or monthly basis. To date, we believe this data has been generally accurate. To the extent that this resale and channel inventory data is inaccurate or not received in a timely manner, we may not be able to make reserve estimates for future periods accurately or at all.

Unless we and our suppliers continuously improve manufacturing efficiency and quality, our financial performance could be adversely affected.

Manufacturing semiconductors involves highly complex processes that require advanced equipment. We and our suppliers, as well as our competitors, continuously modify these processes in an effort to improve yields and product performance. Defects or other difficulties in the manufacturing process can reduce yields and increase costs. Our manufacturing efficiency will be an important factor in our future financial performance, and we may be unable to maintain or increase our manufacturing efficiency to the same extent as our competitors. For products that we outsource manufacturing, our product yields and performance will be subject to the manufacturing efficiencies of our third-party suppliers.

From time to time, we and our suppliers have experienced difficulty in beginning production at new facilities, transferring production to other facilities, achieving and maintaining a high level of process quality and effecting transitions to new manufacturing processes, all of which have caused us to suffer delays in product deliveries or reduced yields. We and our suppliers may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, transferring production to other facilities, upgrading or expanding existing facilities, including our Fort Collins facility, or changing our process technologies, any of which could result in a loss of future revenues. Our results of operations could be adversely affected by any increase in costs related to increases in production capacity if revenues do not increase proportionately.

The enactment of legislation implementing changes in U.S. taxation of international business activities or the adoption of other international tax reform policies or principles could materially impact our financial position and results of operations.

Tax bills are introduced from time to time to reform U.S. taxation of international business activities. Depending on the final form of legislation enacted, if any, these consequences may be significant for us due to the large scale of our international business activities. If any of these proposals are enacted into legislation, or if other international, consensus-based tax policies and principles are amended or implemented, they could have material adverse consequences on the amount of tax we pay and thereby on our financial position and results of operations.

We make substantial investments in research and development to improve existing and develop new technologies to remain competitive in our business and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. In order to remain competitive, we have made significant investments in research and development and anticipate that we will need to maintain or increase our levels of research and development expenditures. We expect research and development expenses to increase in absolute dollars for the foreseeable future, due to the increasing complexity and number of products we plan to develop. The technologies where we have focused or may focus our research and development expenditures may not become commercially successful. Significant investments in unsuccessful research and development efforts could materially adversely affect our business, financial condition and results of operations. In addition, increased investments in research and development could cause our cost structure to fall out of alignment with demand for our products, which would have a negative impact on our financial results.

Our business would be adversely affected by the departure of existing members of our senior management team or if our senior management team is unable to effectively implement our strategy.

Our success depends, in large part, on the continued contributions of our senior management team, in particular, the services of Mr. Hock E. Tan, our President and Chief Executive Officer and Mr. Bryan T. Ingram, our Senior Vice President and Chief Operating Officer. None of our senior management is bound by written employment contracts to remain with us for a specified period. In addition, we do not currently maintain key person life insurance covering our senior management. The loss of any of

our senior management could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

If we are unable to attract, train and retain qualified personnel, especially our design and technical personnel, we may not be able to execute our business strategy effectively.

Our future success depends on our ability to retain, attract and motivate qualified personnel, including our management, sales and marketing, legal and finance personnel, and especially our design and technical personnel. We also seek to acquire talented engineering and technical personnel through acquisitions we may make from time to time, including, for example, CyOptics and Javelin. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. We have historically encountered difficulties in hiring and retaining qualified engineers because there is a limited pool of engineers with expertise in analog and optoelectronic semiconductor design. Competition for such personnel is intense in the semiconductor industry, particularly in Southeast Asia where qualified engineers are currently in high demand. In addition, employees of companies or businesses that we acquire may decide not to continue working for us, with little or no notice, for reasons that may include dissatisfaction with our corporate culture, compensation or new roles and responsibilities. As the source of our technological and product innovations, our design and technical personnel represent a significant asset. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to warranty claims, product recalls and product liability.

We are currently, and from time to time may be, subject to warranty or product liability claims that have lead, and may in the future lead, to significant expenses as we compensate affected customers for costs incurred related to product quality issues. Although we maintain reserves for reasonably estimable liabilities and purchase product liability insurance, our reserves may be inadequate to cover the uninsured portion of such claims. Conversely, in some cases, amounts we reserve may ultimately exceed our actual liability for particular claims and may need to be reversed.

Although we maintain product liability insurance, such insurance is subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims, or we may elect to self-insure with respect to certain matters. We may incur costs and expenses in the event of any recall of a customer's product containing one of our devices. The process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our customers and reputational harm. Our customer contracts typically contain warranty and indemnification provisions, and in certain cases may also contain liquidated damages provisions, relating to product quality issues. The potential liabilities associated with such provisions are significant, and in some cases, including in agreements with some of our largest customers, are potentially unlimited. Any such liabilities may greatly exceed any revenues we receive from the relevant products. Costs, payments or damages incurred or paid by us in connection with warranty and product liability claims and product recalls could materially and adversely affect our financial condition and results of operations.

The complexity of our products could result in unforeseen delays or expenses or undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.

Highly complex products such as those we offer, may contain defects and bugs when they are first introduced or as new versions are released, or their release may be delayed due to unforeseen difficulties during product development. We have in the past experienced, and may in the future experience, such defects, bugs and delays. If any of our products contain defects or bugs, or have reliability, quality or compatibility problems, we may not be able to successfully design workarounds. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers, attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. To resolve these problems, we may have to invest significant capital and other resources. Although our products are tested by our suppliers, our customers and ourselves, it is possible that our new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others. For example, if a delay in the manufacture and delivery of our products causes the delay of a customer's product delivery, we may be required, under the terms of our agreement with that customer, to compensate the customer for the adverse effects of such delays. In addition, these problems may divert our technical and other resources from other development efforts, and we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. As a result, our financial results could be materially and adversely affected.

Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations.

We sell our products throughout the world. In addition, as at August 4, 2013, approximately 63% of our employees are located outside of the United States. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments and trade protection measures, including export duties and quotas and customs duties and tariffs;
- disruptions of capital and trading markets;
- changes in import or export licensing requirements;
- transportation delays;
- civil disturbances or political instability;
- geopolitical turmoil, including terrorism, war or political or military coups;
- changes in labor standards;
- limitations on our ability under local laws to protect our intellectual property;
- nationalization of businesses and expropriation of assets;
- changes in tax laws;
- currency fluctuations, which may result in our products becoming too expensive for foreign customers or foreign-sourced materials and services becoming more expensive for us; and
- difficulty in obtaining distribution and support.

A significant legal risk associated with conducting business internationally is compliance with various and differing anti-corruption and anti-bribery laws and regulations of the countries in which we do business, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar laws in China. In addition, the anti-corruption laws in various countries are constantly evolving and may, in some cases, conflict with each other. Our Code of Ethics and Business Conduct and other policies prohibit us and our employees from offering or giving anything of value to a government official for the purpose of obtaining or retaining business and from engaging in unethical business practices, including kick-backs to or from purely private parties. However, there can be no assurance that all of our employees or agents will refrain from acting in violation of this and our related anti-corruption policies and procedures. Any such violation could have a material adverse effect on our business.

A majority of our products are produced and sourced in Asia, including in China, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand. As a result of the acquisition of CyOptics, we also have facilities and personnel in, and conduct business from, Mexico, an area in which we have not previously operated. Any conflict or uncertainty in these countries, including due to political or civil unrest, public health or safety concerns or natural disasters, could have a material adverse effect on our business, financial condition and results of operations. In addition, if the government of any country in which our products are manufactured or sold sets technical standards for products manufactured in or imported into their country that are not widely shared, it may lead certain of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships which, in each case, could have a material adverse effect on our business, financial condition and results of operations.

In addition, our subsidiaries may require future equity-related financing, and any capital contributions to certain of our subsidiaries may require the approval of the relevant authorities in the jurisdiction in which the subsidiary is incorporated. The approvals are required from the investment commissions or similar agency of the particular jurisdiction and relate to any initial or additional equity investment by foreign entities in local corporations. Our failure to obtain the required approvals and our resulting inability to provide such equity-related financing or capital contributions could have an adverse effect on our business, financial condition and results of operations.

We may not realize the full benefits of our research and development grants.

We have accepted research and development grants, the receipt and amount of which are subject to our compliance with specified terms and conditions, both individually and in the aggregate. During the three fiscal quarters ended August 4, 2013, we recorded an aggregate of \$6 million in credits to research and development expense and \$2 million as a deferred credit for

capital expenditures pursuant to these grants. During fiscal year 2012, we recorded an aggregate of \$7 million in credits to research and development expense and \$1 million as a deferred credit for capital expenditures pursuant to these grants. If we cannot or elect not to satisfy the terms and conditions of any of these grants, expenses incurred in respect of the relevant research and development projects will not be approved for reimbursement, we may be required to return amounts previously paid to us under the grants and further grants may not be available to us in the future. In the event we are unable to comply with the terms of any such grant, we may seek to amend the terms. However, any amendment, extension or renewal of such grants is in the discretion of the granting authority and we may not be able to effect any such change.

Our business is subject to various governmental regulations, and compliance with these regulations may cause us to incur significant expenses. If we fail to maintain compliance with applicable regulations, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.

Our business is subject to various significant international and U.S. laws and other legal requirements, including packaging, product content, labor and import/export regulations. These regulations are complex, change frequently and have generally become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy violations of these regulations. Certain CyOptics products, when customized for use with or incorporation into a defense article, are subject to the jurisdiction of the U.S. Department of State in accordance with the International Traffic in Arms Regulation, or ITAR. We have not previously had to comply with ITAR and are currently integrating CyOptics' ITAR controls and compliance with our own programs. Any failure by us to comply with applicable government regulations, including ITAR, could result in cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to conduct our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products.

Our products and operations are also subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies, such as the U.S. Federal Communications Commission. If we fail to adequately address any of these rules or regulations, our business could be harmed.

We must conform the manufacture and distribution of our semiconductors to various laws and adapt to regulatory requirements in all countries as these requirements change. If we fail to comply with these requirements in the manufacture or distribution of our products, we could be required to pay civil penalties, face criminal prosecution and, in some cases, be prohibited from distributing our products commercially until the products or component substances are brought into compliance.

We are subject to environmental, health and safety laws, which could increase our costs, restrict our operations and require expenditures that could have a material adverse effect on our results of operations and financial condition.

We are subject to a variety of international and U.S. laws and other legal requirements relating to the use, disposal, clean-up of and human exposure to, hazardous materials. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of production or subject us to future liabilities in excess of our reserves. In addition, compliance with environmental, health and safety requirements could restrict our ability to expand our facilities or require us to acquire costly pollution control equipment, incur other significant expenses or modify our manufacturing processes. In the event of the discovery of new contamination, additional requirements with respect to existing contamination, or the imposition of other cleanup obligations for which we are responsible, we may be required to take remedial or other measures which could have a material adverse effect on our business, financial condition and results of operations.

We also face increasing complexity in our product design and procurement operations as we adjust to new requirements relating to the materials composition of our products, including the restrictions on lead and certain other substances in electronics that apply to specified electronics products sold in the European Union as of July 1, 2006 under the Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive. Other countries, such as the United States, China and Japan, have enacted or may enact laws or regulations similar to the EU legislation. Other environmental regulations may require us to re-engineer our products to utilize components that are more environmentally compatible. Such re-engineering and component substitution may result in excess inventory or other additional costs and could have a material adverse effect on our results of operations.

In addition to the costs of complying with environmental, health and safety requirements, we may in the future incur costs defending against environmental litigation brought by government agencies and private parties. We may be defendants in lawsuits brought by parties in the future alleging environmental damage, personal injury or property damage. A significant judgment against us could harm our business, financial condition and results of operations.

In the last few years, there has been increased media scrutiny and associated reports focusing on a potential link between working in semiconductor manufacturing clean room environments and certain illnesses, primarily different types of cancers. Regulatory agencies and industry associations have begun to study the issue to see if any actual correlation exists. Because we

utilize clean rooms, we may become subject to liability claims. In addition, these reports may also affect our ability to recruit and retain employees.

We cannot predict:

- changes in environmental or health and safety laws or regulations;
- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted;
- our ability to enforce and collect under indemnity agreements and insurance policies relating to environmental liabilities; or
- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions, particularly at sites that we may acquire from time to time.

New regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC has adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

We rely on third-party distributors and our employee sales representatives, as well as some manufacturers' representatives, and the failure of these distributors or representatives to perform as expected could reduce our future sales.

In addition to selling products through our employee sales representatives, we also rely on distributors and, in some cases, manufacturers' representatives to sell our products to our customers. This is particularly the case in markets where we do not have a significant physical presence and new markets that we are seeking to enter. We are unable to predict the extent to which our distributors and manufacturers' representatives will be successful in marketing and selling our products. Moreover, many of our distributors and manufacturers' representatives also market and sell competing products. Our relationships with our distributors and manufacturers' representatives may be terminated by either party at any time. Our future performance will depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets where we have not previously distributed our products, and on our ability to effectively manage distribution efforts by our remaining global, full-line distributors. If we cannot retain our current distributors or manufacturers' representatives, recruit additional or replacement distributors or manufacturers' representatives where needed, or effectively manage changes to our sales and distributions strategies, our sales and operating results will be harmed.

The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenues and gross profits.

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Gross profits on our products may be negatively affected by, among other things, pricing pressures from our customers, and the proportion of sales of our wireless and other products into consumer application markets, which are highly competitive and cost sensitive. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. In addition, some of our customer agreements provide for volume-based pricing and product pricing roadmaps, which can also reduce the average selling prices of our products over time. Our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing manufacturing costs, or developing new and higher value-added products on a timely basis.

We are required to assess our internal control over financial reporting on an annual basis and any adverse findings from such assessment could result in a loss of investor confidence in our financial reports, significant expenses to remediate any internal control deficiencies and ultimately have an adverse effect on our share price.

We are required to assess the effectiveness of our internal control over financial reporting annually, as required by Section 404 of the Sarbanes-Oxley Act. Even though, as at October 28, 2012, we concluded that our internal control over financial reporting was effective, we need to maintain our processes and systems and adapt them as our business grows and changes. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive, time-consuming and requires significant management attention. We cannot be certain that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, either in our existing business or in businesses that we may acquire, could harm our operating results or cause us to fail to meet our reporting obligations. We are in the process of integrating our and CyOptics financial and controls, to ensure the effectiveness of their controls and procedures. However, there can be no assurance that we will be able to do so effectively in the one-year post-acquisition exemption period or at all. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our ordinary shares may decline.

Remediation of a material weakness could require us to incur significant expense and if we fail to remedy any material weakness, our financial statements may be inaccurate, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, the trading price of our ordinary shares may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the SEC or The Nasdaq Global Select Market. We may also be required to restate our financial statements from prior periods.

Our financial condition and results of operations could be adversely affected by employee-benefit related costs and expenses.

We sponsor several defined benefit plans outside of the United States and post-retirement medical benefit plans in the United States. We are required to make contributions to these plans to comply with minimum funding requirements imposed by laws governing these employee benefit plans. The difference between the obligations and assets of these plans, or the funded status of these plans, is a significant factor in determining our pension expense and the ongoing funding requirements of these plans. Weak economic conditions and related under-performance of asset markets could lead to increased pension and post-retirement benefit expenses. We may also seek to move defined benefit plans to defined contribution plans and any such changes may adversely affect our results of operations, including our profitability and cash flow. In the United States, we also self-fund a significant portion of our employees' health benefits. The costs of providing these benefits has been increasing steadily and significantly, and may increase further as the Patient Protection and Affordable Care Act of 2010 is implemented. Also, a significant portion of our employees' cash compensation is performance-related, based on achievement of annual metrics, which can cause significant fluctuations in our employee compensation expense, and in cashflows in the period in which payment occurs. Significant increases in the compensation, costs and expenses of the benefits we provide to our employees could adversely affect our financial condition and results of operations.

A breach of our security systems may have a material adverse effect on our business.

Our security systems are designed to maintain the physical security of our facilities and protect our customers', suppliers' and employees' confidential information. However, we are also dependent on a number of third-party "cloud-based" service providers of critical corporate infrastructure services relating to, among other things, human resources, electronic communication services and certain finance functions, and we are, of necessity, dependent on the security systems of these providers. Accidental or willful security breaches or other unauthorized access by third parties to our facilities, our information systems or the systems of our cloud-based service providers or the existence of computer viruses in our or their data or software could expose us to a risk of information loss and misappropriation of proprietary and confidential information. Any theft or misuse of such information could result in, among other things, unfavorable publicity, damage to our reputation, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, any of which could have a material adverse effect on our business, profitability and financial condition. Since the techniques used to obtain unauthorized share repurchase program access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Risks Relating to Investments in Singapore Companies

It may be difficult to enforce a judgment of U.S. courts for civil liabilities under U.S. federal securities laws against us, our directors or officers in Singapore.

We are incorporated under the laws of the Republic of Singapore, and certain of our officers and directors are resident outside the United States. Moreover, a majority of our consolidated assets are located outside the United States. Although we are incorporated outside the United States, we have agreed to accept service of process in the United States through our agent designated for that purpose. Nevertheless, since a majority of the consolidated assets owned by us are located outside the United States, any judgment obtained in the United States against us may not be collectible within the United States.

There is no treaty between the United States and Singapore providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters and a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in Singapore. There is doubt whether a Singapore court may impose civil liability on us or our directors and officers who reside in Singapore in a suit brought in the Singapore courts against us or such persons with respect to a violation solely of the federal securities laws of the United States, unless the facts surrounding such a violation would constitute or give rise to a cause of action under Singapore law. Consequently, it may be difficult for investors to enforce against us, our directors or our officers in Singapore judgments obtained in the United States, which are predicated upon the civil liability provisions of the federal securities laws of the United States.

We are incorporated in Singapore and our shareholders may have more difficulty in protecting their interest than they would as shareholders of a corporation incorporated in the United States, and we may have more difficulty attracting and retaining qualified board members and executives.

Our corporate affairs are governed by our memorandum and articles of association and by the laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our board of directors under Singapore law are different from those applicable to a corporation incorporated in the United States. Therefore, our public shareholders may have more difficulty in protecting their interest in connection with actions taken by our management or members of our board of directors than they would as shareholders of a corporation incorporated in the United States. Draft legislation that would make significant changes to the Singapore Companies Act has recently been proposed by the Singapore authorities, some of which may alter the rights of shareholders that are currently provided under the Singapore Companies Act and our memorandum and articles of association. However, it is not yet certain which of these amendments will be included in the final legislation or when such amendments will become effective.

In addition, being a public company incorporated in Singapore may make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on committees of our Board, and qualified executive officers.

For a limited period of time, our directors have general authority to allot and issue new ordinary shares on terms and conditions as may be determined by our board of directors in its sole discretion.

Under Singapore law, we may only allot and issue new ordinary shares with the prior approval of our shareholders in a general meeting. At our 2013 AGM, our shareholders provided our directors with the general authority to allot and issue any number of new ordinary shares until the earlier of (i) the conclusion of our 2014 AGM, (ii) the expiration of the period within which the next annual general meeting is required to be held (i.e. within 15 months from the conclusion of the last general meeting) or (iii) the subsequent revocation or modification of such general authority by our shareholders acting at a duly noticed and convened meeting. Subject to the general authority to allot and issue new ordinary shares provided by our shareholders, the provisions of the Singapore Companies Act and our memorandum and articles of association, our board of directors may allot and issue new ordinary shares on terms and conditions as they may think fit to impose. Any additional issuances of new ordinary shares by our directors may adversely impact the market price of our ordinary shares.

Risks Relating to Owning Our Ordinary Shares

At times, our share price has been volatile and it may fluctuate substantially in the future, which could result in substantial losses for our investors.

The trading price of our ordinary shares has, at times, fluctuated significantly. The trading price of our ordinary shares could be subject to wide fluctuations in response to many of the risk factors listed in this “Risk Factors” section, and others, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation and results of operations of our significant customers as well as companies perceived by investors to be comparable to us;
- announcements of proposed acquisitions by us or our competitors;
- announcements of, or expectations of additional debt or equity financing efforts;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- changes in our dividend or share repurchase policies.

These fluctuations are often unrelated or disproportionate to our operating performance. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our ordinary shares. You may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

A substantial amount of our shares are held by a small number of institutional investors and significant sales of our ordinary shares in the public market by one or more of these holders could cause our share price to fall.

As of June 30, 2013, we believe that our five largest shareholders are institutional investors and that they hold over 40% of our outstanding ordinary shares in the aggregate. These institutional investors may sell their shares for a variety of reasons, including dissatisfaction with our short- or long-term results. These holders may sell their shares at any time and such sales could depress the market price of our ordinary shares, given the large amounts of our shares held by these investors. Such sales could also impair our ability to raise capital through the sale of additional equity securities.

There can be no assurance that we will continue to declare cash dividends or repurchase shares.

Our Board adopted a dividend policy pursuant to which the Company will pay quarterly dividends on our ordinary shares, and, following our 2013 AGM on April 10, 2013, our Board approved our 2013 share repurchase program authorizing management to repurchase up to 20 million of the Company's ordinary shares, in their discretion, which authorization will expire the day prior to our 2014 AGM. The declaration and payment of any future dividend is subject to the approval of our Board and our dividend policy could change at any time. Similarly, our share repurchase program does not obligate us to repurchase any specific number of shares and may be suspended from time to time or terminated at any time prior to its expiration. There can be no assurance that we will declare cash dividends or repurchase shares in the future in any particular amounts, or at all. Furthermore, we may declare dividends as interim dividends, which are wholly provisional under Singapore law and may be revoked by our Board at any time prior to the payment thereof. The payment of cash dividends is restricted by applicable law and our corporate structure. Pursuant to Singapore law and our articles of association, no dividends may be paid except out of our profits. Also, because we are a holding company, our ability to pay cash dividends on our ordinary shares and to repurchase our shares may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of our credit agreement.

While our cash dividend payments have historically increased over time, this trend may not continue any may be discontinued or reduced at any time. Future dividends and share repurchases, if any, their timing and amount, as well as the relative allocation of cash between dividends and share repurchases, may be affected by, among other factors: our views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; cash position and overall financial condition; and changes to our business model. In addition, the amount we spend and the number of shares we are able to repurchase under our share repurchase program may further be affected by a number of other factors, including the share price and blackout periods in which we are restricted from repurchasing shares. A reduction in, or elimination of, our dividend payments and/or share repurchases could have a negative effect on our share price.

Singapore corporate law may impede a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.

The Singapore Code on Take-overs and Mergers contains provisions that may delay, deter or prevent a future takeover or change in control of our company for so long as we remain a public company with more than 50 shareholders and net tangible assets of S\$5 million or more. Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on their own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on their own or together with parties acting in concert with such person, between 30% and 50% (both inclusive) of our voting shares, and such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers. While the Singapore Code on Take-overs and Mergers seeks to ensure equality of treatment among shareholders, its provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of our company. These legal requirements may impede or delay a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.

Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance regarding our future performance that represents our management's estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results, particularly any guidance relating to the results of operations of acquired businesses or companies, such as CyOptics, as our management will, necessarily, be less familiar with their business, procedures and operations. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this Quarterly Report on Form 10-Q could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

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

There were no sales of unregistered securities during the fiscal quarter and three fiscal quarters ended August 4, 2013.

Issuer Repurchase of Equity Securities

The following table presents details of our share repurchases during the fiscal quarter ended August 4, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Shares Available Under Repurchase Programs (in millions)
May 6, 2013 - June 2, 2013	—	\$ —	—	13.6
June 3, 2013 - June 30, 2013	440,000	\$ 37.29	440,000	13.2
July 1, 2013 - August 4, 2013	560,000	\$ 37.95	560,000	12.6
Total	<u>1,000,000</u>	<u>\$ 37.66</u>	<u>1,000,000</u>	

(1) All share repurchases during the period from May 6, 2013 to August 4, 2013 were made in open market transactions, pursuant to our publicly announced 2013 share repurchase program. All repurchases were made in accordance with Rule 10b-8 under the Exchange Act.

On April 11, 2013, we announced that our Board had approved the 2013 share repurchase program which authorized the Company to repurchase up to 20 million of its ordinary shares. This replaced the 2012 share repurchase program announced by the Company on April 5, 2012, which expired on April 9, 2013, under which the Company was authorized to repurchase up to 15 million of its ordinary shares. Share repurchases under the 2013 share repurchase program, if any, will be made in the open market at such times and in such amounts as the Company deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements. The 2013 share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. The 2013 share repurchase program will expire at the Company's 2014 AGM, unless earlier terminated.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
3.1	Memorandum and Articles of Association	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428).	August 14, 2009	
10.1	Lease Agreement dated as of April 29, 2005 by and between TriQuint Optoelectronics, Inc. and CyOptics, Inc. and related amendments and renewals.			X
10.2	Lease Agreement dated as of June 29, 2000 ("Lease") by and between Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord") and Lucent Technologies Microelectronica de Mexico, S.A. de C.V., together with consent of Landlord to assign the Lease to a subsidiary of CyOptics, Inc. and related amendments to the Lease.			X
10.3	Collective Employment Contract for an Indefinite Duration dated as of February 16, 2010 by and between CyOptics of Mexico, S. de R.L. de C.V. and Union of Day Laborers and Industrial Workers and the Maquiladora Industry. (English translation of Spanish original)			X
10.4+	Form of indemnification agreement between Avago and its directors (June 2013)			X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
101.INS†	XBRL Instance Document			X

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
101.SCH†	XBRL Schema Document			X
101.CAL†	XBRL Calculation Linkbase Document			X
101.DEF†	XBRL Definition Linkbase Document			X
101.LAB†	XBRL Labels Linkbase Document			X
101.PRE†	XBRL Presentation Linkbase Document			X

+ Indicates a management contract or compensatory plan or arrangement.

† Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets at August 4, 2013 and October 28, 2012, (ii) Unaudited Condensed Consolidated Statements of Operations for the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income for the fiscal quarter and three fiscal quarters ended August 4, 2013 and July 29, 2012, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the three fiscal quarters ended August 4, 2013 and July 29, 2012 and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

SIGNATURES

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

AVAGO TECHNOLOGIES LIMITED

By: /s/ Anthony E. Maslowski

Anthony E. Maslowski

Chief Financial Officer

Date: September 13, 2013

LEASE AGREEMENT

Between

TRIQUINT OPTOELECTRONICS, INC.

And

CYOPTICS, INC.

REFERENCE PAGE

Property: An approximately 137 acre parcel legally described on Exhibit A attached hereto ("Property").

Property Address: 9999 Hamilton Blvd.
Breiningsville, PA

Landlord: **TriQuint Optoelectronics, Inc.**

Landlord's Address: 2300 NE Brookwood Parkway
Hillsboro, OR 97124

Tenant: **CYOptics, Inc.**

Tenant's Address: 7360 Windsor Drive
Allentown, PA 18106

Lease Execution Date: April 29, 2005

Building(s): The structures erected on the Property consisting of +/- 375,000 rentable square feet, either interconnected or free-standing, and as more fully depicted on Exhibit A-2 hereto.

Premises: That portion of the Buildings depicted on Exhibits A-2 through A-13 attached hereto, consisting of approximately 89,769 rentable square feet (exclusive of Tenant's pro rata share of the common areas).

Permitted Use: Research & Development, engineering, microelectronic manufacturing, and related office & warehouse. See also Paragraph 1(b) hereof.

Initial Term: Beginning on the Commencement Date and ending on the Termination Date (unless sooner terminated or extended pursuant to the Lease).

Renewal Term(s): One (1) additional five (5) year period or Five additional two (2) year periods, commencing on that calendar day immediately following the expiration of the Initial Term, and each additional term, which are subject to the terms and conditions in Paragraph 6 hereof.

Commencement Date:	April 29, 2005
Termination Date:	March 31, 2007
Annual Base Rent:	One Million Two Hundred Thousand Dollars (\$1,200,000)
Additional Rent:	All sums other than Annual Base Rent which Tenant is obligated to pay to Landlord from time to time pursuant to the terms of this Lease, including Tenant's Operating Expense.
Tenant's Proportionate Share:	See Paragraph 6(d) hereof.
Monthly Installment of Rent:	\$ 100,000.00
Guarantor:	TriQuint Semiconductor, Inc., subject to the terms and conditions in Paragraph 7 hereof.
Real Estate Broker Due Commission:	NONE

The Reference Page information is incorporated into and made a part of the Lease. In the event of any conflict between any Reference Page information and the Lease, the Lease shall control. The Lease includes Exhibits "A" through "E" all of which are made a part hereof.

LANDLORD:	TENANT:
TRIQUINT OPTOELECTRONICS, INC.	CYOPTICS, INC.
<hr/>	<hr/>
By: <hr/>	/s/ Ed Coringrato
Title: <hr/>	By: Ed Coringrato
Date: <hr/>	Title: President and CEO
	Date: April 29, 2005

LEASE

AGREEMENT OF LEASE ("Lease") made this 29th day of April 2005, by and between TriQuint Optoelectronics, Inc., a Delaware corporation ("Landlord"), party of the first part, and CyOptics, Inc., a Delaware corporation ("Tenant"), party of the second part.

WITNESSETH THAT, for and in consideration of the rents, covenants and agreements herein contained and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises set forth and described on the Reference Page. The Reference Page, including all terms defined thereon, is hereby incorporated as part of this Lease.

1. USE AND RESTRICTIONS ON USE.

(a) The Premises shall be used and occupied by Tenant only in conformity with law and for the use specified in Reference Data hereon and as further described in Paragraph 1(b) hereinbelow (the "Permitted Use"), and for such other lawful purposes as may be incidental thereto, all to the extent permitted by applicable zoning regulations, subject to the Rules and Regulations attached hereto or as amended from time to time by Landlord. Any violation of these provisions shall be considered a breach of this Lease by Tenant, and Landlord shall have the right to exercise any or all remedies provided herein in the event of a breach of this Lease. Tenant shall not use or permit any use of the Premises other than the use described in Paragraph 1(b) hereinbelow that would create any safety hazard which would be dangerous to the Premises, the Building, the Property or the occupants of same, which would be disturbing to the other tenants or occupants of the Property, or which would cause any increase in premium for any insurance which Landlord may then have in effect with respect to the Property generally. In case of a breach of this covenant, in addition to all other remedies of Landlord hereunder, Tenant agrees to pay to Landlord as Additional Rent any and all increases in premiums for insurance carried by Landlord on the Property (or any portions thereof) so caused by such other use by Tenant. Tenant shall promptly comply with all governmental orders, directives for the correction, prevention and abatement of any violations or nuisances arising out of Tenant's specific use of the Premises, but not its mere occupancy thereof, all at Tenant's sole expense and shall comply with all laws, ordinances, regulations and requirements of the municipal, county, state and federal, governments and any and all departments thereof having jurisdiction over the Building and the Property relating to such use. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for any such use. The parking of automobiles, trucks or other vehicles in the areas not specifically designated for such, and the outside storage of any property are prohibited without Landlord's prior written consent. If, as a result of any change in the governmental laws, ordinances and regulations, the Property must be altered to lawfully accommodate Tenant's specific use thereof; such alterations shall be made only with the consent of Landlord, but the entire cost thereof

shall be borne by Tenant; provided that the necessity of Landlord's consent shall in no way create any liability against Landlord for failure of Tenant to comply, or alter the Property to comply, with such laws, ordinances and regulations. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises, or take any other action which would constitute a nuisance or would disturb or endanger any other tenants of

the Property, or unreasonably interfere with such tenants' use of their respective premises. Tenant shall, not receive, store or otherwise handle any product, material or merchandise which is explosive or highly flammable. Tenant shall not permit the Premises to be used for any purpose (including, without limitation, the storage of merchandise) in any manner which would render Landlord's and/or Tenant's insurance thereon void.

(b) Anything to the contrary contained in this Lease and the Hazardous Materials Addendum hereto notwithstanding, Landlord acknowledges that Tenant will be using the Premises for an optoelectronic device epitaxy and wafer fabrication operation, and that such use is specifically permitted hereunder. Landlord further acknowledges that the storage and use of highly toxic, explosive, flammable, and corrosive gases and chemicals are required in connection with such use, and that such use generates odors, noise, and vibrations, all of which are permitted. In the storage, use, and disposal of such chemicals and gases, Tenant agrees to obtain any and all licenses and permits and to abide by all governmental regulations. Tenant also agrees to use all necessary precautions to prevent the use of these chemicals and gases from disturbing or endangering any of the other tenants of the Property. In the event of a chemical leak and/or spill, Tenant agrees to have the appropriate detection and alarm systems per governmental regulations to alert all tenants of the Property to the emergency situation.

2. PREMISES.

(a) In consideration of the obligation of Tenant to pay Rent as herein provided, Landlord hereby lets to Tenant and Tenant takes and hires from Landlord the Premises comprised of the areas as outlined as "Leased Premises by Tenant" on Exhibits A-2 through A-13 attached hereto and made a part hereof, to have and to hold for the Term, subject to the terms, covenants and conditions of this Lease, together with, appurtenant to the Premises, the right to use in common with Landlord and other tenants, occupants and visitors to the Building, the common lobbies, hallways, loading areas, and other common areas, all as designated as "Property Common Area" on Exhibits A-2 through A-13 hereto, subject to Landlord's reasonable rules and regulations.

(b) Tenant shall also have the right to use and exclusively occupy that portion of Building 4 as outlined as "Temporary Premises" on Exhibits A-12.1 and A-12.2 hereto, and hereinafter referred to as the Temporary Premises. Until such time that Tenant vacates Building 4 in its entirety, Building 4 shall be incorporated for the purpose of this Lease as part of the Premises.

(c) Tenant shall have the right to use, in common with Landlord and other tenants of the Buildings, the areas outlined as "Tenant Use Area" on Exhibits A-2 through A-13 hereto. Tenant's use of such areas, which shall not be considered part of the Premises hereunder, shall be subject to reasonable rules and regulations determined by Landlord' from time to time governing coordination of use by Landlord and tenants of the Buildings. It is understood that Landlord may terminate Tenant's use of such areas by reasonable advance notice to Tenant in the event Landlord, leases such areas to another tenant.

(d) Tenant shall have the right to use during the Term hereof the areas outlined as "Unrestricted Tenant Access Area" on Exhibits A-2 through A-13 hereto, together with the gas delivery area adjacent to the "CUP" identified on Exhibit A-3 hereto, for purposes of maintaining, repairing, and replacing utilities, equipment, and other facilities serving the Premises and Tenant's operations therein, tenant shall have the right at all times to access the Unrestricted Tenant Access Area, and the same shall not be considered part of the Premises hereunder.

3 TERM.

(a) The Term of this Lease shall be as indicated on the Reference Page. Unless sooner terminated in accordance with the terms hereof or extended pursuant to Paragraph 6 herein, the term of this Lease shall end without the necessity for notice from either party on the Termination Date.

(b) Landlord and Tenant shall each have the right to terminate Tenant's use of all or any portion of the Temporary Premises by providing the other party prior written notice. Landlord shall be obligated to provide Tenant a minimum of 120 days notice to vacate that portion of Building 4 as depicted on Exhibits A-12.1 and A-12.2 as "Area 1," and 60 day's notice to vacate any other portion of the Temporary Premises. In the event Landlord provides the aforesaid notice to vacate Area 1, Tenant may extend the term of its use of Area 1 by an additional 30 days by notifying Landlord at least 20 days prior to the expiration of the first 120 day period, of Tenants intention to extend.

4. RENT.

(a) Tenant agrees to pay to Landlord the Annual Base Rent and Additional Rent ("Rent") in equal consecutive monthly installments on or before the first day of each full calendar month during the Term. Rent for any period during the Term which is less than one full month shall be a prorated portion of the monthly installment of Rent based upon the actual number of calendar days in such month. Said Rent shall be paid to Landlord, without deduction or offset and without notice or demand at Landlord's address, as set forth on the Reference Page, or to such other person or at such other place as Landlord may from time to time designate in writing.

(b) Tenant recognizes that late payment of any Rent or other sum due hereunder will result in administrative expense to Landlord, the extent of which additional expense is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that, if Rent or any other sum is due and payable pursuant to this Lease, and when such amount remains due and unpaid ten (10) calendar days after said amount is due, such amount shall be increased by a late charge in an amount equal to the greater of: (a) \$50.00, or (b) a sum equal to 5% of the unpaid Rent or other payment. The amount of the late charge to be paid by Tenant shall be, reassessed and added to Tenant's obligation for each successive monthly period until paid. The provisions of this paragraph in no way relieve Tenant of the obligations to pay Rent or other payments on or before the date on which they are due, nor do the terms of this paragraph in any way affect Landlord's remedies pursuant to Paragraph 23 of this Lease.

(c) Tenant shall pay interest to Landlord at the Overdue Interest Rate (as defined below) on account of (i) all overdue installments of Annual Base Rent and payments of Additional Rent due on a regular basis from the tenth day from the due date thereof to the date of payment, and (ii) on all payments of Additional Rent that are not payable to Landlord hereunder on a regular basis from the date of demand for payment until the date of payment. Upon default by Tenant in the payment of Additional Rent or other sums payable hereunder, Landlord shall be entitled to all rights and remedies to which it would be entitled in default of the payment of Annual Base Rent. As used herein, the term "Overdue interest Rate" shall mean three percent (3%) per annum over the "prime" interest rate quoted from time to time by Bank of America, or its successor, or such other national bank with offices in Philadelphia as may be selected by Landlord (any of such being referred to herein as the "Bank"), as its "prime" rate of interest.

(d) No security or guaranty, which may now or hereafter be furnished to Landlord for the payment of Rent or the performance of Tenant’s other obligations under this Lease shall in any way constitute a bar to the recovery of the Premises or defense to any action in unlawful detainer or to any other action which Landlord may bring for a breach of any of the terms, covenants or Conditions of this Lease.

5. PROPERTY OPERATING COSTS.

Tenant shall pay for all utilities and services directly relating to its use and occupancy of the Premises during the Initial Term. Landlord shall be responsible for all other utilities-and services for the remainder of the Buildings. The parties agree to reasonably cooperate with each other in an effort to minimize utility and other operating costs, and to explore the feasibility of separately metering utilities. Anything to the contrary in the foregoing notwithstanding, the parties agree to allocate the utility and other operating costs as set forth on Exhibit “D” attached hereto (the “Cost Allocation”). Each party shall be responsible for the total amount of all cost items allocated to it on the Cost Allocation, which shall not be limited by the estimated amounts set forth thereon. Without limiting the generality of the foregoing:

(a) Landlord’s Portion of Property Operating Cost

Landlord shall contract and pay for all costs and expenses of items defined in the Cost Allocation as Landlord Costs, as well as costs and expenses of completing Landlord’s repair and maintenance obligations set forth in Paragraph 10 hereof. If Tenant uses the Premises for any purpose other than for what the Premises were designed, Tenant shall reimburse Landlord for 100% of any increased insurance costs arising out of such other use by Tenant.

(b) Operating Cost to be Shared between Landlord and Tenant

Shared Costs shall be apportioned between Landlord and Tenant in accordance with the dollar amounts listed in the Cost Allocation, under the heading “Shared Costs”, with the following exceptions:

- (i) If as of the first (1st) calendar, day of die six (6) month anniversary, of the date of the Property, Transfer (as that term is defined in Paragraph 7 hereof) Tenant remains in occupancy of any portion of the Temporary Premises, Tenant shall become responsible for 100% of the Shared Costs subject to the adjustment in subparagraph (ii) below. At such time as Tenant vacates all of the Temporary Premises. Landlord shall thereafter be responsible for its portion of the Shared Costs for the remainder of the Initial Term.
- (ii) Upon the commencement of a lease and occupancy of space in any Building by a party other than Tenant or upon commencement of occupancy of any such space by Landlord for purposes of completing renovations, hereinafter referred to as “Other Use”, and continuing for the term of said Other Use, Tenant’s responsibility for a Shared Cost shall be equitably reduced after considering the nature and extent of such Other Use and its actual or anticipated impact on such Shared Cost, as reasonably determined by Landlord and Tenant.
- (iii) Upon the commencement of ah Other Use in the Building(s), in the event that any other tenant is sharing any of the systems-or services listed on the Cost Allocation as Tenant Costs and continuing for the term of said Other Use, Tenant’s responsibility for Tenant’s Costs shall be reduced equitably in the manner described in subparagraph (ii) above. If the new tenant’s allocation of costs is deemed to be in excess of its proportionate share, then, the new tenant shall be responsible for any increased costs. In the event the new tenant’s allocation of shared costs is deemed to be considerably below its proportionate share, an allocation will be negotiated between Landlord, Tenant and the new tenant.

Tenant shall be responsible for paying all of the Shared Costs directly to the utility or service provider. Landlord shall reimburse Tenant for Landlord’s portion of the “Shared Costs” by way of a credit against the monthly installment of Annual Base Rent due hereunder” in the amount of thirteen Thousand Three Hundred Eighty Eight and No/100 Dollars (\$13,388,00) per month. Landlord shall also reimburse Tenant by way of a credit against monthly installments of Annual Base Rent due hereunder, for any portion of Shared Costs or Tenant Costs that are allocated to Landlord or any other party in accordance with subparagraphs (ii) or (iii) immediately above.

(c) Tenant’s Portion of Property Operating Cost

Tenant shall be responsible for all costs associated with Tenant’s use and occupancy of the Premises, and which are listed on the Cost Allocation as Tenant Costs without exception. In no event however, shall Tenant be responsible for any Such itemized costs for utilities or services serving any other portion of the Buildings other than the Premises.

6. RENEWAL TERM/OPTIONS.

(a) Tenant shall have the option to renew this Lease for the number of additional consecutive term(s) as specified in either Paragraph 6(b) or 6(c) below (“Renewal Terms”), provided that (i) Tenant shall not be in default hereunder at the time of notice, and (ii) Tenant’s not in default upon the renewal date, and (iii) Tenant has continued to pay Annual Base Rent and Additional-Rent timely (after any applicable notice and/or grace periods), and (iv) Tenant shall exercise such option at least 180 days prior to the expiration of the Initial Term (“Option Renewal Notice”), and (v) the Option Renewal Notice shall conclusively define which Option Renewal Term, as defined in Paragraph 6(b) or 6(c) below, Tenant chooses. If Tenant fails to provide such notice, Tenant shall have no further additional right to extend or renew the term of this Lease. Tenant shall forfeit the option to renew if they have been in default more than three (3) times in the 12 months prior to the commencement of die renewal term even if the defaults have been cured as of the commencement of the renewal term. Tenant’s right to renew this Lease under either Paragraph 6(b) or 6(c) below are mutually exclusive of each other, and the selection of one option shall render foe other option automatically terminated.

Tenant, shall have no right to renew this Lease except for the Renewal Option Terms(s) as set forth herein.

(b) **Renewal Option One:** One (1), five (5) year renewal term, upon the same terms set forth herein, except that Annual Base Rent, Additional Rent, Utilities, and Operating Expenses payable during such renewal term shall be as follows:

Year	Annual Base Rent:
1	\$ 8.00/sq. ft. NNN, plus Tenant’s Proportionate Share of Property Operating Costs
2	\$ 8.50/sq. ft. NNN, plus Tenant’s Proportionate Share of Property Operating Costs

3	\$ 9.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs
4	\$ 9.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs
5	\$ 10.00/sq.ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

(c) **Renewal Option Two:** Five (5), two (2) year renewal options, each exercisable on six (6) months advance written notice, on the same terms set forth, above, except that Rent Utilities, and Operating Expenses payable during such renewal term(s) shall be as follows:

Option Term One: Annual Base Rent

\$ 10.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Two:

\$10.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Three:

\$ 11.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Four:

\$11.50/sq.ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Five:

\$ 12.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

The foregoing notwithstanding, Tenant shall have the right to convert the third (3rd), fourth (4th), and fifth (5th) two (2) year renewal options set forth above to one (1) year options, upon providing Landlord twelve (12) months notice prior to exercising each such one (1) year option. Upon Tenant's conversion of either of the third (3rd), fourth (4th), or fifth (5th) options to a one (1) year option each successive option term shall thereafter automatically be converted to a one (1) year option.

(d) During any Renewal Term(s), the allocation of Property Operating Costs set forth in Paragraph 5 hereof shall no longer be applicable. Instead, Tenant shall pay to Landlord Tenant's Proportionate Share of Property Operating Costs. For purposes of this paragraph, "Property Operating Costs" and "Tenant's Proportionate Share" shall be defined as follows:

"Property Operating Costs" shall mean all costs incurred in connection with the operation and maintenance of the Property during each Operating Year. Such costs shall include by way of example, rather than limitation;

(i) All premiums and fees for fire and extended coverage insurance, insurance against loss of rentals for the Building, and commercial general liability insurance, all in amounts and coverage's (with additional policies against additional risks) as may be reasonably required by Landlord or this holder of any mortgage on the Property.

(ii) All costs of routine repair and maintenance, service contracts, costs of governmental permits, costs for snow and ice removal, writer and sewer service charges, gas, fuel, electricity or other utility services and waste (excluding environmental waste) facility maintenance-personnel expense, janitorial and disposal services exclusively for the Common Areas, and reasonable and customary property management fees; provided, however, that Property Operating Costs shall not include (1) the cost of repairing damage to the roof of any of the Buildings, including the Premises, that is known as of the Property Transfer date, (2) any cost that under GAAP would be considered capital expenditures (excluding routine, pothole repairs and restriping parking lots, or that are required in order to comply with any governmental or quasi-governmental laws, orders, rules, or requirements, which shall be amortized over a ten (10) year period), (3) costs to perform initial or new construction of any structure on the Property, (4) debt service, (5) build-out of tenant space, (6) brokerage fees and commissions, (7) legal fees, (8) accounting fees, (9) ADA compliance costs, and (10) any costs reimbursed by insurance proceeds, condemnation award or the indemnification of a third party.

(iii) All taxes, assessments (including special and general assessments, charges and impositions of any governmental or quasi-governmental, authority) imposed on the Property or Building, fees or charges that may be levied in lieu of such taxes (collectively "Real Estate Taxes").

"Tenant's Proportionate Share" shall be a percentage determined by dividing the rentable square footage of the Premises by the then aggregate rentable square footage of all of the Buildings as represented on Attachments A-4 through A-13, or additional buildings when constructed and occupied. Rentable square footage shall be calculated by the applicable BOMA standard. For purposes of determining Tenant's pro rata share of the costs of utilities consumed by but not individually metered to Tenant, the rentable square footage of the Premises shall include the square footage of those portions of the Premises that are depicted on Attachments A-7 and A-10, which square footage is not included in the square footage of the Premises set forth on the Reference Page hereof.

(e) Tenant shall have the right to audit Landlord's statement of Property Operating Costs upon written notice to Landlord ("Review Notice") given within sixty (60) days of the receipt of such statement. Within a reasonable time after receipt of the Review Notice, Landlord shall make all pertinent records available for inspection that are reasonably necessary for Tenant to conduct its review. If any records are maintained at a location other than the management office for the Building, Tenant may either, inspect the records at such other location or pay for the reasonable cost of copying and shipping the records. If Tenant retains an agent to review Landlord's records, the agent must be with a CPA firm licensed to do business in the state or commonwealth where the Property is located. Tenant shall be solely responsible for all cost's, expenses and fees incurred for the audit. Within thirty (30) days after the records are made available to Tenant. Tenant shall have the right to give Landlord written notice (an "Objection Notice") stating in reasonable detail any objection to Landlord's statement of Property Operating Costs for that year, along with reasonable documentation supporting Tenant's objection. If Tenant fails to give Landlord an Objection Notice within the 30-day period or fails to provide Landlord with a Review Notice within the 60-day period described above, Tenant shall be deemed to have approved Landlord's statement of Property Operating Costs and shall be barred from raising any claims regarding the Property Operating Costs for that year. If Tenant provides Landlord with a timely Objection Notice, Landlord and Tenant shall work together in good faith to resolve any issues raised in Tenant's Objection Notice. If Landlord and Tenant determine that actual Property Operating Costs for the calendar year are less than the amount used in calculating Tenant's Proportionate Share of Property Operating Costs paid by Tenant during such year, Landlord shall provide Tenant

with a credit against the next installment of Annual Base Rent in the amount of the overpayment by Tenant Likewise, if Landlord and Tenant determine that Property Operating Costs for the calendar year are greater than reported, Tenant shall pay Landlord the amount of any underpayment within thirty (30) days. The records obtained by Tenant shall be treated as confidential. In no event shall Tenant be permitted to examine Landlord's records or to dispute any statement of Property Operating Costs unless Tenant has paid and continues to pay all Rent when due.

(f) In the event Tenant exercises a renewal option or options, Landlord and Tenant agree to execute an amendment to this Lease or an amended and restated lease to reflect the revised terms applicable during the Renewal Term(s) as set forth in Paragraphs 6, 9, 10, and 17 hereof.

7. GUARANTY.

The parties acknowledge that Landlord intends to sell the Property to Anthem Partners, LLC or an affiliated entity of Anthem ("Purchaser"). Upon the conveyance of the Property to Purchaser (the "Property Transfer"), Landlord's interest as lessor under this Lease will be assigned to Purchaser, which shall thereupon be the "Landlord" hereunder. Upon the Property Transfer, as additional security for performance of Tenant's obligations under the terms, and conditions of this Lease during the Initial Term, the within-named Landlord shall have TriQuint Semiconductor, Inc. ("Guarantor") execute the Guaranty in favor of Purchaser attached hereto as Exhibit "E" to guaranty the obligation of Tenant to pay Annual Base Rent during the Initial Term (without the benefit of any credit thereto in accordance with Paragraph 5(b) hereof). TriQuint Semiconductor, Inc. shall not be required to guaranty any obligations under the Lease during any renewal term(s), and the Guaranty will terminate at the end of the Initial Term and upon any assignment of this Lease or a subletting of the Premises by Tenant.

8. ALTERATIONS.

Tenant shall not make or suffer to be made any alterations, additions, or improvements which are structural in nature or which affect utility lines or equipment serving other portions of the property, Building or in, on, or to the Premises or any part thereof or make any improvements without the prior written consent of Landlord, which may be withheld in Landlord's reasonable discretion. When applying for such consent, Tenant shall, if requested by Landlord, furnish complete plans and specifications for such alterations, additions and improvements. In the event Landlord consents to the making of any such alteration, addition or improvement by Tenant, the same shall be made using a contractor acceptable to Landlord at Tenant's sole cost and expense. All alterations, additions or improvements performed by Tenant shall be constructed in accordance with all government laws, ordinances, rules and regulations and Tenant shall, prior to construction, provide to Landlord waivers of lien to protect Landlord against any loss from any mechanics', materialmen's or other liens. Tenant shall pay in addition to any sums due pursuant to Paragraph 5 or 6 above any increase in real estate taxes attributable to any such alteration, addition, or improvement for so long, during the Term, as such increase is ascertainable. Upon the expiration or sooner termination of the Term as herein provided, Tenant shall upon demand by Landlord, at Tenant's sole cost and expense, forthwith and with all due diligence remove any such alterations, additions or improvements which are designated by Landlord to be removed, and Tenant shall forthwith and with all due diligence, at its sole cost and expense, repair and restore the Premises to their original condition, reasonable wear and tear and loss by casualty excepted Any alteration, additions or improvements to be done by Tenant or Landlord as part of Tenant's initial occupancy shall be specified in Exhibit B. Any alteration, addition, or improvement in, on, or to the Premises including carpeting, but excepting movable furniture, personal property, and trade fixtures of Tenant, which are removable without material damage to the property or the Premises, shall be and remain the property of Tenant during the Term but shall, unless Landlord elects otherwise, become a part of the realty and belong to Landlord without compensation to Tenant upon the expiration or sooner termination of the Term and title shall pass to Landlord under this Lease as by a bill of sale.

9. TENANT'S REPAIRS.

(a) Except as set forth in the Cost Allocation applicable during the Initial Term, Tenant shall, at its own cost and expense, keep and maintain all parts of the Premises in good condition, promptly making all necessary repairs and replacements, whether ordinary or extraordinary, with materials and workmanship of the same character, kind and quality as the original, including but not limited to; windows, glass and plate glass, doors, skylights, any special office entries, interior walls and finish work, floors and floor coverings, heating, ventilation, air conditioning, and security systems serving the Premises or any portion thereof, and regular removal of trash and debris. In no event shall Tenant be responsible for roof maintenance or repairs, and the same shall be the responsibility of Landlord in accordance with Paragraph 10(a) hereof. Tenant shall also, at its own cost and expense, repair and maintain all electrical mechanical, plumbing, security, and monitoring systems and fixtures used in connection with Tenant's manufacturing activities on the Premises. Tenant will, as much as possible, keep all such parts of the Premises from deterioration due to ordinary wear and from falling temporarily out of repair, and upon termination of this Lease in any way Tenant will yield up the Premises to Landlord in good condition and repair, reasonable wear and tear excepted.

(b) Tenant shall not damage any demising wall or disturb the integrity and support provided by any demising wall and shall, at its sole cost and expense, promptly repair any damage or injury to any demising wall caused by Tenant or its employees, agents or invitees.

(c) Tenant and its employees, customers and licensees shall have the nonexclusive right to use, in common with the other parties occupying said Building(s), common parking areas, if any, (exclusive of any parking or work load areas designated or to be designated by Landlord for the exclusive use of other tenants occupying or to be occupying other portions of the Building) driveways and alley adjacent to said Building(s), subject to such reasonable rules and regulations as Landlord may from time to time prescribe. Further, Landlord reserves the right to perform paving and landscape maintenance on the grounds around the Property, including, but not limited to, the mowing of grass, care of shrubs, general landscaping and maintenance of common parking areas, driveways and alleys, roof repairs, exterior painting, common sewage line plumbing, and repair and maintenance of any other items, the obligations for which are shared by other tenants in the Building and other improvements of which the Premises are a part. During any Renewal Term(s), Tenant shall be liable for Tenant's Proportionate Share (as defined in Paragraph 6(d) hereof) of the cost and expense thereof including a reasonable management fee unless Landlord in its sole discretion determines that such cost and expense is properly allocable in another proportion or solely to either Tenant or the other tenants occupying said Building. Tenant shall pay to Landlord its share, determined as aforesaid, of such costs and expenses, upon demand, as Additional Rent, in the event Landlord elects to perform or cause to be performed such work.

(d) Tenant shall, at its own cost and expense, enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor approved by Landlord (and a copy thereof shall be furnished to Landlord), for servicing all heating and air conditioning, mechanical, electrical, security, and monitoring systems and equipment for which Tenant is responsible pursuant to Paragraph 9(a) hereof. The service contract must include all services suggested by the equipment manufacturer in the Operation/maintenance manual and must become effective as of the Commencement Date of this Lease.

(e) Tenant shall, at its own cost and expense to the extent not covered by the insurance to be maintained by Landlord under Paragraph 25, repair any damage to the Premises or the Property resulting from and/or caused in whole or in part by the negligence or misconduct of Tenant, its agents, servants, employees, patrons, customers, or any other person entering on the Property as a result of Tenant's business activities or caused by an event of default by Tenant hereunder.

10. LANDLORD'S REPAIRS.

(a) Landlord shall at its expense maintain in good repair, reasonable wear and tear and any casualty covered by the provisions of Paragraph 25 excepted, the foundation and the structural soundness of the exterior walls and the roof of the Buildings, together with all electrical, mechanical, and plumbing systems and fixtures serving the Buildings, except as set forth in Paragraph 9(a) hereof. Tenant shall immediately give Landlord written notice of any such defect or need for repairs after which Landlord shall have a reasonable opportunity to repair the same or cure such defect. Landlord's liability with respect to any defects, repairs or maintenance for which Landlord is responsible under any of the provisions of the Lease shall be limited to the cost of such repairs or maintenance or the curing of such defect. The term "walls" as used herein shall not include windows, glass or plate glass, doors, special store fronts or office entries.

(b) In addition to the foregoing but except as set forth in the Cost Allocation, during the Initial Term Landlord shall also be responsible for all other maintenance, repair and replacement obligations and expenses of the Building and the Premises not specifically allocated to Tenant in Paragraph 9(a) hereof.

11. SIGNS.

Tenant shall not install any signs upon, the Premises or the exterior of the Building without Landlord's prior written consent, which will not unreasonably be withheld. If Landlord shall consent to any sign, upon termination of the Lease, Tenant shall remove said sign and restore the Premises and/or the Building in accordance with the provisions of Paragraph 7 or, at Landlord's option, said sign shall become part of the realty and belong to Landlord without compensation to Tenant and title shall pass to Landlord under this Lease as by a bill of sale.

Landlord shall maintain and control at all times all signage on the Property, including signage adjacent to the Property entrance and directional signage on the Property.

12. LIENS.

Tenant shall keep the Premises and Tenant's leasehold interest in the Premises 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 thirty (30) days following the imposition of any such lien, cause the same to be released of record, Landlord shall have the right to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses reasonably incurred by it in connection therewith shall be considered additional rent and shall be payable to it by Tenant on demand with interest at the rate of 18% per annum or the highest rate permitted by law, whichever is lower.

13. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall not have the right to assign or pledge this Lease or to sublet the whole or any part of the Premises, whether voluntarily or by operation of law, or permit the use or occupancy of the Premises by anyone other than Tenant, or assign this Lease for security purposes, without the prior written consent of Landlord, which shall not unreasonably be withheld, conditioned, or delayed, and such restrictions shall be binding upon any assignee or subtenant to which Landlord has consented. In the event Tenant desires to sublet the Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord at least 30 days but no more than 60 days prior to the proposed commencement date of such subletting or assignment, which notice shall set forth the name of the proposed subtenant or assignee, the relevant terms of any sublease and copies of financial reports and other relevant financial information of the proposed subtenant or assignee. Notwithstanding any permitted assignment or subletting, Tenant shall at all times remain directly and primarily responsible and liable for the payment of the rent herein specified and for compliance with all of its other obligations under this Lease. Upon the occurrence of an "event of default" (as hereinafter defined), if the Premises or any part thereof are then sublet, Landlord, in addition to any other remedies provided herein or by law, may collect directly from such subtenant all rents due and becoming due to Tenant under such sublease and apply such rent against any sums due to Landlord from Tenant hereunder. No such collection directly from an assignee or subtenant shall be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligations hereunder.

(b) Notwithstanding the generality of the foregoing, Landlord's consent shall not be required for an assignment of the Lease or a subletting of the Premises, or part thereof (each a "Permitted Transfer"), to an entity (i) into or with which Tenant is merged or consolidated, (ii) to which substantially all of Tenant's assets are transferred, or (iii) that controls, is controlled by, or is under common control with, Tenant, provided that (x) such entity has a net worth not less than that of Tenant (and during the Initial Term, not less than that of Tenant or Guarantor, whichever is greater and other equivalent security reasonably satisfactory to Landlord is provided to Landlord), (y) Tenant shall notify Landlord no less than 10 business days prior to the effective date of such transaction by providing Landlord with the name of the resulting entity and such other details as Landlord may reasonably request, and (z) Tenant shall exercise a renewal option in accordance with Paragraph 6 hereof, if at all, prior to such Permitted Transfer (failure to so exercise a renewal option shall act to terminate all renewal options).

(c) To the extent required hereunder, consent by Landlord to any assignment or subletting shall not be construed as consent to any other assignment or subletting. Any sale, assignment, mortgage, transfer of this Lease or subletting which does not comply with the provisions of this paragraph shall be void.

(d) Except in connection with a Permitted Transfer, in the event that Tenant sells, sublets, assigns, or transfers this Lease and at any time receives periodic rent and/or other consideration which exceeds that which Tenant would at that time be obligated to pay to Landlord. Tenant shall pay to Landlord 75% of the net increase in such rent as such rent is received by Tenant and 75% of any other consideration received by Tenant, after reduction for customary and reasonable brokerage commissions and legal fees incurred in negotiating and documenting the assignment or sublease.

(e) Should Landlord agree to authorize and execute an assignment or sublease agreement, Tenant will pay to Landlord on demand a sum equal to all of Landlord's costs, including attorney's fees, incurred in connection with such assignment or transfer.

14. INDEMNIFICATION.

Landlord shall not be liable and Tenant hereby waives all claims against Landlord for any damage to any property or any injury to any person in or about the Premises, Building or the Property by or from any cause whatsoever, (including without limiting the foregoing, rain or water leakage of any character from the roof, windows, walls, basement, pipes, plumbing works or appliances; the Building not being in good condition or repair, gas, fire, oil, electricity or theft); except that Landlord will indemnify and hold Tenant harmless from such claims to the extent caused by the negligent or willful act of Landlord, or its agents, employees or contractors. Tenant shall hold Landlord harmless from and defend Landlord against any and all claims, liability or costs (including court costs and attorney's fees) for any damage to any property or any injury to any person occurring in, on or about the Premises, Building or the Property when such injury or damage shall be caused by or arise from, in part or in whole, (a) the act, neglect, fault, or omission to meet the standards imposed by any duty with respect to the injury or damage, by Tenant, its agents, servants, employees or invitees; or (b) the conduct or management of any work or thing whatsoever done by Tenant in or about the Premises, Building or Property or from transactions of Tenant concerning the Premises, Building or Property. The provisions of this paragraph shall survive the termination of this Lease with respect to any claims or liability occurring prior to such termination.

15. INSURANCE.

(a) During the term of this Lease and any extension thereof, Tenant shall obtain and maintain and promptly pay all premiums for the following types of insurance in the amounts specified and in the form heretofore provided for:

(i) General Public Liability insurance covering the Premises and Tenant's use thereof against claims for bodily or personal injury or death, and property damage occurring upon, in or about the Premises, such insurance to afford protection to the limit of not less than \$2,000,000.00 combined single limit in respect of injury or death to any number of persons arising out of any one occurrence. The insurance coverage required under this Paragraph shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in Paragraph 13. The general aggregate limits under the General Public Liability Insurance policy or policies must apply separately to the Premises and to Tenant's use thereof. Accordingly, if Tenant obtains General Public Liability Insurance hereunder in the Commercial General Liability form of policies, or its equivalent as determined by Landlord, Tenant shall also obtain Insurance Services Office ("ISO"). Endorsement CG-25-04-11-85, Amendment-Aggregate Limits of Insurance (Per Location) or its equivalent, as determined by Landlord (the "Endorsement"). The certificate of insurance evidencing the Commercial General Liability form of policies and the Endorsement shall specify on the face thereof that the limits of such policies apply separately to the Premises.

(ii) Insurance covering: (1) all of the items of leasehold improvements; and (2) trade fixtures, merchandise and personal property from time to time in, on or upon the Premises. All such insurance coverage shall be in amounts not less than one hundred percent (100%) of the full replacement cost from time to time during the Term of this Lease, and any renewal thereof providing protection against perils included within the standard state form of fire and extended coverage insurance policy, together with insurance against sprinkler damage, vandalism and malicious mischief. The policy required by subsection (1) above shall name Landlord as Loss Payee. All other policy proceeds from insurance coverage carried by Tenant pursuant to (2) above shall be held in trust by Tenant's insurance company for the repair, reconstruction and restoration or replacement of the Property damaged or destroyed unless this Lease shall cease and terminate under the provisions of this Paragraph 15.

(iii) Workers Compensation and Employer's Liability insurance affording statutory coverage and containing statutory limits with the Employer's Liability portion thereof to have minimum limits of \$100,000.00.

(b) All policies of insurance provided for in this Paragraph 15 shall be issued in form acceptable to Landlord by insurance companies with a financial size of not less than A+ as rated in the most current available "Best's Insurance Reports" and qualified to do business in the Commonwealth of Pennsylvania, Each and every such policy:

(i) except for Workers' Compensation, shall be issued in the names of Landlord and Tenant and any other parties in interest from time to time designated in writing by notice from Landlord to Tenant;

(ii) shall be for the mutual and joint benefit and protection of Landlord and Tenant and any such other parties in interest;

(iii) shall (or a certificate thereof shall) be delivered to each of Landlord and any such other parties in interest prior to delivery of possession of the Premises to Tenant and thereafter within thirty (30) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;

(iv) shall contain a provision that the Insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any material change, cancellation, termination or lapse, or the effective date of any reduction in the amounts of insurance;

(v) shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.

(c) Any insurance provided for in this Paragraph 15 may be maintained by means of a policy or policies of blanket insurance, covering additional items or locations or insured, provided, however, that:

(i) Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as an additional insured thereunder as its interest may appear;

(ii) the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance;

(iii) any such policy or policies (except any covering the risks referred to in Paragraph 15(b)(iii) shall specify therein (or Tenant shall furnish Landlord with a written statement from the insurers under such policy specifying) the amount of the total insurance allocated to Tenant's improvements and property more specifically detailed in Paragraph 14(b)(ii); and

(iv) the requirements set forth in this Paragraph 15 are otherwise satisfied.

(d) Tenant agrees to permit Landlord at all reasonable times to inspect the policies of insurance of Tenant with respect to the Premises for which policies or copies thereof are not delivered to Landlord.

(e) During the term of this Lease and any extension thereof, Landlord shall obtain and maintain the insurance required by Paragraph 25(a) hereof.

16. WAIVER OF SUBROGATION.

So long as their respective insurers so permit, Tenant and Landlord hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage or all risk insurance now or hereafter existing for the benefit of the respective party. Each party shall obtain any special endorsements required by their insurer to evidence compliance with the aforementioned waiver.

17. SERVICES AND UTILITIES.

Subject to the last sentence of this paragraph, Landlord agrees to provide, at its cost, municipal water, electricity and natural gas connections into the Premises, but Tenant shall pay for all water, gas, heat, light, power, telephone, sewer, sprinkler system charges and other utilities and services used in, on or from the Premises, together with any taxes, penalties, and surcharges or the like pertaining thereto and any maintenance charges for utilities. Tenant shall furnish all electric light bulbs, tubes and ballasts. If any such services are not separately metered to Tenant, Tenant shall pay such proportion of all charges jointly shared or metered with other premises as determined by Landlord, in its sole discretion, to be reasonable. Any such charges paid by Landlord and assessed against Tenant shall be immediately payable to Landlord on demand and shall be Additional Rent hereunder. Landlord shall in no event be liable for any interruption or failure of utility services on or to the Premises, except, if caused by the negligent or willful act of Landlord, its employees, officers, agents, or contractors. Tenant shall provide, and pay separately for janitorial services and supplies for the Premises. Anything to the contrary contained in the foregoing notwithstanding, during the Initial Term the costs of such utilities and services shall be allocated to Landlord and Tenant in accordance with Paragraph 5 hereof.

18. HOLDING OVER.

Tenant shall pay Landlord for each day Tenant retains possession of the Premises or part thereof after termination hereof by lapse of time or otherwise, one hundred fifty percent (150%) of the amount of the Rent for the last period prior to the date of such termination prorated on a daily basis, and also pay all damages sustained by Landlord by reason of such retention, and shall indemnify and hold Landlord harmless from any loss or liability, resulting from such holding over and delay in surrender. Acceptance by Landlord of rent after such termination shall not constitute a renewal. This provision shall not be deemed to waive Landlord's right of re-entry or any other right hereunder or at law.

19. SUBORDINATION.

This Lease is and shall be subject and subordinate at all times to any lease under which Landlord is in control of the Premises, to the rights of the owner of the Property, and to all mortgages and other encumbrances now or hereafter placed upon the Premises or the Property without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant shall from time to time execute and deliver within ten (10) days following the request of Landlord or Landlord's mortgagee, grantee or lessor, recordable instruments evidencing such subordination and Tenant's agreement to attorn to the holder of such prior right provided the holder of such prior right will agree to recognize this Lease. Notwithstanding the foregoing, any mortgagee may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, whereupon this Lease shall be deemed subordinate prior to such mortgage without regard to their respective dates.

20. RULES AND REGULATIONS.

Tenant covenants and agrees that Tenant, its employees, agents, invitees, licensees and other visitors, shall faithfully observe and comply with all the rules and regulations as set forth in Exhibit "C" attached hereto and all reasonable modifications of and additions thereto from time to time put into effect by Landlord as well as all covenants, conditions and restrictions of record. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Property of any such rules and regulations unless Landlord fails to make reasonable efforts to attempt to enforce the same after reasonable notice of such non-performance from Tenant. Landlord shall not promulgate any rule or regulation for the Property, the Land or the common areas and facilities which impairs Tenant's use, occupancy and/or enjoyment of the Premises or the operation of its business thereon or therefrom during regular business hours.

21. REENTRY BY LANDLORD.

Landlord reserves and shall at all times, following reasonable Advance notice to Tenant and subject to a Tenant escort (except in the event of an emergency), have the right to reenter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to show said Premises to prospective purchasers, mortgagees, or tenants, and to alter, improve, or repair the Premises and any portion of the Building, without abatement of rent, and may for that purpose erect, use, and maintain scaffolding, pipes, conduits, and other necessary structures in and through the Building and Premises where reasonably required by the character of the work to be performed, provided entrance to the Premises shall not be blocked thereby, and further provide that the business of Tenant shall not be interfered with unreasonably. In the event that Landlord requires access to any under-floor or above ceiling duct, walkway or otherwise accessible space, Landlord's liability for carpet (or other floor covering) or ceiling replacement shall be limited to replacement of the piece removed. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby except if arising from the negligence or misconduct of Landlord, its agents, contractors or employees, or if Landlord's action unreasonably interferes with Tenant's business. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in the Premises, excluding Tenant's vaults and safes, or special security areas (designated in advance), and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency to obtain entry to any portion of the Premises. Landlord shall also have the right at any time to

change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets or other public parts of the Building, and to change the name, number or designation by which the Building is commonly known.

22. DEFAULT.

The following events shall be deemed to be events of default under this Lease:

- (a) Tenant shall fail to pay when due any sum of money becoming due to be paid to Landlord hereunder, whether such sum be any installment of the rent herein reserved, any other amount treated as additional rent hereunder, or any other payment or reimbursement to Landlord required herein, whether or not treated as Additional Rent hereunder, and such failure shall continue for a period of ten (10) days following written notice, from Landlord that such payment was due; provided, however, that Landlord shall only be required to give notice of such failure to pay the same obligation hereunder two (2) times in any twelve (12) month period; or
- (b) Tenant shall fail to comply with any term, provision or covenant of this Lease other than by failing to pay when or before due any sum of money becoming due to be paid to Landlord hereunder, and shall not cure such failure within thirty (30) days after receipt by Tenant of written notice thereof provided that if such failure to comply cannot reasonably be cured within thirty (30) days, Tenant shall not be in default hereunder so long as Tenant initiates such, compliance within thirty (30) days and pursues such compliance diligently to completion thereafter; or
- (c) Tenant shall abandon or vacate any substantial portion of the Premises; or uses or occupies the Premises in a manner or for such a purpose which is not consistent with the approved Use, or without Landlord's prior written consent, Tenant removes or attempts to remove or manifests an intention to remove any or all of Tenant's property from the Premises otherwise than in the ordinary and usual course of business; or
- (d) Tenant shall fail to vacate the Premises immediately upon termination of the Lease, by lapse of time or otherwise, or upon termination of Tenant's right to possession only; or
- (e) The leasehold interest of Tenant shall be levied upon under execution or be attached by process of law or Tenant shall fail to contest diligently the validity of any lien or claimed lien and give sufficient security to Landlord to insure payment thereof or shall fail to satisfy any judgment rendered thereon and have the same released or transferred to other security, and such default shall continue for twenty (20) days after receipt of written notice thereof by Tenant; or
- (f) Tenant shall become insolvent, admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency statute, make an assignment for the benefit of creditors, make a transfer in fraud of creditors, apply for or consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the federal, bankruptcy laws, as now in effect or hereafter amended, or any other applicable law or statute of the United States or any state thereof; or
- (g) A court of competent jurisdiction shall enter an order, judgment or decree adjudicating Tenant a bankrupt, or appointing, a receiver of Tenant, or of the whole or any substantial part of its property, without the consent of Tenant, or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the bankruptcy laws of the United States, as now in effect or hereafter amended, or any state thereof and such order, judgment or decree shall not be vacated or set aside or stayed within thirty (30) days from the date of entry thereof; or
- (h) Any of the events described in subparagraphs (f) and (g) immediately above occur as to any guarantor or surety of Tenant's performance under this Lease, or such guarantor or surety defaults on any provision under its guaranty or suretyship agreement, and Tenant fails, within thirty (30) days of such event, to provide equivalent, alternative security reasonably acceptable to Landlord.

23. REMEDIES.

Upon the occurrence of any of such events of default described in Paragraph 22 or elsewhere in this Lease, Landlord shall have the Option to pursue any one or more of the following remedies without any notice of demand whatsoever:

- (a) Landlord may, at its election, terminate this Lease or terminate Tenant's right to possession only, without terminating the Lease;
- (b) Upon any termination of this Lease, whether by lapse of time or otherwise, or upon any termination of Tenant's right to possession without termination of the Lease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free right to enter into and upon the Premises in such event with or without process of law and to repossess Landlord of the Premises as of Landlord's former estate and to expel or remove Tenant and any others who may be occupying or within the Premises and to remove any and all property therefrom, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without incurring any liability for any damage resulting therefrom, Tenant hereby waiving any right to claim damage for such reentry and expulsion, and without relinquishing Landlord's right to rent or any other right given to Landlord hereunder or by operation of law;
- (c) Upon any termination of this Lease, whether by lapse of time or otherwise, Landlord shall be entitled to recover as damages, all Rent, including any amounts treated as Additional Rent hereunder, and other sums due and payable by Tenant on the date of termination, plus the sum of (i) an amount equal to the then present value of the Rent, including any amounts treated as Additional Rent hereunder, and other sums provided herein to be paid by Tenant for the residue of the Term hereof, less the fair rental value of the Premises for such residue (taking into account the time and expense necessary to obtain a replacement tenant or tenants, including expenses hereinafter described in subparagraph (d) relating to recovery of the Premises, preparation for reletting and for reletting, itself), and (ii) the cost of performing any other covenants which would have otherwise been performed by Tenant;
- (d) (i) Upon any termination of Tenant's right to possession only without termination of the Lease, Landlord may, at Landlord's option, enter into the Premises, remove Tenant's signs and other evidences of tenancy, and take and hold possession thereof as provided in subparagraph (b) above, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from any obligation, including Tenant's obligation to pay the rent, including any amounts treated as additional rent, hereunder for the full Term. In any such case Tenant shall pay forthwith to Landlord; if Landlord so elects, a sum equal to the entire amount of the rent, including any amounts treated as additional rent hereunder, for the residue of the Term plus any other sums provided herein to be paid by Tenant for the remainder of the Term.

(e) Landlord may relet, but need not (but without limiting Landlord's duty to mitigate its damages), the Premises or any part thereof for such rent and upon such terms as Landlord in its sole discretion shall determine (including the right to relet the Premises for a greater or lesser term than that remaining under this Lease, the right to relet the Premises as a part of a larger area, and the right to change the character or use made of the Premises) and Landlord shall not be required to accept any tenant offered by Tenant or to observe any instructions given by Tenant about such reletting. In any such case, Landlord may make repairs, alterations and additions in or to the Premises, and redecorate the same, to the extent Landlord reasonably deems necessary in order to relet the Premises, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of reletting including, without limitation, any broker's commission incurred by Landlord. If the consideration collected by Landlord upon any such reletting plus any sums previously collected from Tenant are not sufficient to pay the full amount of all rent, including any amounts treated as additional rent hereunder and other sums reserved in this lease for the remaining term hereof, together with the costs of repairs, alterations, additions, redecorating, and Landlord's expenses of reletting and the collection of the rent accruing therefrom (including attorney's fees and broker's commissions), Tenant shall pay to Landlord the amount of such deficiency upon demand and Tenant agrees that Landlord may file suit to recover any sums falling due under this section from time to time.

(f) Landlord may, at Landlord's option, enter into and upon the Premises, with or without process of law, if Landlord determines in its reasonable discretion that Tenant is not acting within a commercially reasonable time to maintain, repair or replace anything for which Tenant is responsible hereunder and correct the same, without being deemed in any manner guilty of trespass, eviction or forcible entry and without incurring any liability for any damage resulting therefrom and Tenant agrees to reimburse Landlord, on demand, as additional rent, for any expenses which Landlord may reasonably incur in thus effecting compliance with Tenant's obligations under this Lease;

(g) Any and all property which may be removed from the Premises by Landlord pursuant to the authority of the Lease or of law, to which Tenant is or may be entitled, may be handled, removed and stored, as the case may be, by or at the direction of Landlord at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not retaken by Tenant from storage within 30 days after removal from the Premises shall, at Landlord's option, be deemed conveyed by Tenant to Landlord under this Lease as by a bill of sale without further payment or credit by Landlord to Tenant.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law or at equity (all such, remedies being cumulative), nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. No act or thing done by Landlord or its agents during the Term shall be deemed a termination of this Lease or an acceptance of the surrender, of the Premises, and no agreement to terminate this Lease or accept & surrender of said Premises shall be valid unless in writing signed by Landlord. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained Landlord's acceptance of the payment of rental or other payments hereunder after the occurrence of an event of default shall not be construed as an accord and satisfaction, compromise or waiver of such default, unless Landlord so notifies Tenant in writing. Forbearance by Landlord in enforcing one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such defaulter of Landlord's right to enforce any such remedies with respect to such default or any subsequent default.

(h) If either Landlord or Tenant shall institute any action or proceeding against the other relating to any of the terms, covenants; conditions or provisions of this Lease, or there occurs any event of default by Tenant or default by Landlord, the unsuccessful party in such action or proceeding shall reimburse the successful party for reasonable attorney's fees and other costs and expenses incurred therein by the successful party, including fees, costs and expenses incurred in any appellate proceeding.

24. QUIET ENJOYMENT.

Tenant upon paying the Rent and all Additional Rent and all other sums and charges herein provided for and, upon observing, keeping, and performing all covenants, agreements and conditions of this Lease on Tenant's part to be observed, kept and performed, shall quietly have and enjoy the Premises throughout the Lease Term without hindrance or molestation by Landlord or by anyone claiming by, through or under Landlord, subject however, to the exceptions, reservations and conditions of this Lease.

25. DAMAGE BY FIRE, ETC.

(a) Landlord agrees to maintain standard fire and extended coverage insurance covering the Building(s) in an amount not less than the full "replacement cost" thereof (as such term is defined in the Replacement Cost Endorsement to be attached thereto, if any) insuring against the perils of fire and lightning and including extended coverage, and earthquake and flood coverage, or at Landlord's option, "All Risk" coverage, with earthquake and flood, coverage, all such coverages and endorsements to be as defined, provided and limited in the standard bureau forms prescribed by the insurance regulatory authority for the state in which the property is situated for use by insurance companies admitted in such State for the writing of such insurance, on risks located within such state. Subject to the provisions of Paragraphs 25(c), 25(d) and 25(f), such insurance shall be for the sole benefit of Landlord and under its sole control. Such insurance shall include protection for continuation of rental payments for a period of 12 months in the event of any damage caused by the perils referred to above. Said payments shall be made to Landlord within thirty (30) days after presentation to Tenant of Landlord's statement setting forth the amount due, and the failure to pay such share shall be treated in the same manner as a default in the payment of rent hereunder when due. Any payment to be made pursuant to this Paragraph with respect to the year in which the Lease

commences or terminates shall be prorated. Tenant shall not take but separate insurance concurrent in form or contributing in the event of loss with that required to be maintained by Landlord hereunder unless Landlord is included as an additional insured thereon. Tenant shall immediately notify Landlord whenever any such separate insurance is taken out and shall promptly deliver to Landlord the policy or policies of such insurance.

(b) If the Building should be damaged or destroyed by fire, tornado or any other act of God, Tenant shall give immediate written notice thereof to Landlord.

(c) If the Building should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 25(a), but only to such extent that the Building can in Landlord's estimation be materially restored within one hundred eighty (180) days after the date of such damage (except, that Landlord may elect not to rebuild if such damage occurs during the last year of the Term, unless Tenant has exercised its option to renew the term of this Lease within fifteen (15) days after the date of the casualty, this Lease shall not terminate, and Landlord shall, at its sole cost and expense, thereupon proceed with reasonable, diligence to rebuild and repair such Building to substantially the condition in which it existed prior to such damage, except Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements which may have been placed in, on or about the Premises by Tenant. If the Premises are untenable in whole or in part following such damage, the rent and all additional rent payable hereunder during the period in which the Premises are untenable until materially restored shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In the event that (i) under the circumstances then prevailing, it cannot be reasonably projected that Landlord can materially restore the damage within 180 days after such damage has occurred, (ii) such damage is not fully covered by Landlord's insurance, (iii) a material portion of the Premises is damaged at a time when there is less than one year left on the unexpired Term, or (iv) Landlord, having commenced the restoration work, should fail to materially restore the Building Within one hundred eighty (180) days after the date of such damage, Tenant may (if it has given Landlord at least thirty (30) days notice of its intent to do so) at its option terminate this Lease by delivering written notice of termination to Landlord as Tenant's exclusive remedy, whereupon all rights and obligations hereunder shall cease and terminate; provided, however, that if construction is delayed because of changes, deletions; or additions in construction requested by Tenant, strikes, lockouts, casualties, acts of God, war, material or labor shortages, Governmental regulation or control or other causes beyond the reasonable control of Landlord, the period for restoration, repair or rebuilding shall be extended for the amount of time Landlord is so delayed. For purposes hereof, the Building or Premises shall be deemed "materially restored" if they are in such condition as would not prevent or materially interfere with Tenant's use of the Premises for the purpose for which it was then being used.

If the Building should be damaged or destroyed by fire, tornado or any other act of God and Landlord is not required to rebuild pursuant to the provisions of Paragraph 25(c), this Lease shall at the option of Landlord or Tenant, given within 30 days after such damage, terminate and the rent and additional rent shall be abated during the unexpired portion of the Term of this Lease, effective upon the date of the occurrence of such damage.

(d) Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises or the Building requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within 15 days after such requirement is made by any such holder, whereupon this Lease shall end on the date of such notice to Tenant as if the date of such notice were the date originally fixed in this Lease for the expiration of the Term.

(e) In the event of any damage or destruction to the Premises by any peril covered by the provisions of this Paragraph, Tenant shall, upon notice from Landlord, forthwith remove; at its, sole cost and expense, such portion or all of Tenant's shelves, bins, machinery and other trade fixtures and all other property belonging to Tenant or his licensees from such portion or all of the Premises as Landlord shall request and Tenant hereby indemnifies and holds Landlord (including without limitation the trustee and beneficiaries if Landlord is a trust), Landlord's agents and employees harmless from any loss, liability, claims, suits, costs, expenses, including attorney's fees and damages, both real and alleged, arising out of any damage or injury as a result of the failure to properly secure the Premises prior to such removal and/or as a result of such removal.

26. EMINENT DOMAIN.

(a) If the whole, or any part of the Building should be taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and the taking would prevent or materially interfere with the use of the Premises or Building for the purposes for which they are then being used, as determined by Tenant in its sole discretion, Tenant may, at its option by notice to Landlord, terminate this Lease effective when the physical taking of said property shall occur.

(b) If part of the Building, shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, and this Lease is not terminated as provided in Paragraph 25(a), this Lease shall not terminate but the rent payable hereunder during the unexpired portion of the Term of this Lease shall be reduced to such extent, if at all, as may be fair and reasonable under all of the circumstances and Landlord shall undertake to restore the Premises to a condition suitable for Tenant's use, as near to the condition thereof immediately prior to such taking as is reasonably feasible under all the circumstances.

(c) In the event of any such taking or private purchase in lieu thereof Landlord and Tenant shall each be entitled to receive and retain such separate awards and/or portion of lump sum awards as may be allocated to their respective interests in any condemnation proceedings; provided that Tenant shall not be entitled to receive any award for Tenant's loss of its leasehold interest, the right to such award being hereby assigned by Tenant to Landlord.

27. SALE BY LANDLORD.

In event of a sale or conveyance by Landlord of the Building to a purchaser which assumes Landlord's obligations hereunder in writing, the same shall operate to release Landlord from any future liability upon any of the covenants or conditions expressed or implied, herein contained in favor of Tenant, and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. Except as set forth in this Paragraph this Lease shall not be affected by any such sale, and Tenant agrees to attorn to the purchaser or Landlord's assignee. If any security has been given by Tenant to secure the faithful performance of any of the covenants of this Lease, Landlord may transfer or deliver said security, as such, to Landlord's successor in interest and thereupon Landlord shall be discharged from any further liability with regard to said security, provided that any successor shall not be liable for such security unless such successor receives the same. Notwithstanding the generality of the foregoing, this provision shall not serve to release or relieve the entity identified as Landlord first above written (namely, TriQuint Optoelectronics, Inc.), or any affiliate thereof, from their respective obligations to Tenant under that certain Asset Purchase Agreement dated as of April 14, 2005 between said Landlord and Tenant.

28. ESTOPPEL CERTIFICATES.

Within ten business days following receipt of written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord or any prospective Landlord or mortgagee or prospective mortgagee a sworn statement certifying: (a) the date of commencement of this Lease, (b) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications hereto, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications), (c) the date to which the rent and other sums payable under this Lease have been paid, and (d) the fact that there are no current defaults under this Lease by either Landlord or Tenant except as specified in Tenant's statement, and (e) such other matters requested by Landlord. Landlord and Tenant intend that any statement delivered pursuant to this Paragraph may be relied upon by any mortgagee, beneficiary or purchaser and Tenant shall be liable for all loss, cost or expense resulting from the failure of any sale or funding of any loan caused by any material misstatement contained in such estoppel certificate. Tenant hereby irrevocably appoints Landlord or if Landlord is a trust, Landlord's beneficiary or agent, as attorney-in-fact for Tenant with full power and authority to execute and deliver in the name of Tenant such estoppel certificate. If Tenant fails to deliver the same within such ten (10) day period and such certificate as signed by Landlord, Landlord's beneficiary or agent, as the case may be, shall be fully binding on Tenant, if Tenant fails to deliver a contrary certificate within five days after receipt by Tenant of a copy of the certificate executed by Landlord, Landlord's beneficiary or agent, as the case may be, on behalf of Tenant.

29. SURRENDER OF PREMISES.

Tenant shall, at least 90 days before the last day of the Term arrange to meet Landlord for a joint inspection of the Premises. In the event of Tenant's failure to arrange such joint inspection, Landlord's inspection at or after Tenant's vacating the Premises shall be conclusively deemed correct for purpose of determining Tenant's responsibility for repairs and restoration.

At the end of the Term or any renewal thereof or other sooner termination of this Lease, Tenant will peaceably deliver up to Landlord possession of the Premises, together with all improvements or additions upon or belonging to the same, by whomsoever made, in the same condition as received or first installed broom clean and free of all debris, ordinary wear and tear and damage by fire, earthquake, Act of God, or the elements alone excepted. Tenant may, upon termination of this Lease, remove all movable partitions of less than full height from floor to ceiling, counters, and other personal property and trade fixtures of Tenant removable without material damage to such property or the Premises previously installed by Tenant, at Tenant's sole cost, title to which shall be in Tenant until such termination repairing such damage caused by such removal. Property not so removed shall be deemed abandoned by Tenant and title to the same shall thereupon pass to Landlord under this Lease as by a bill of sale. Upon request by Landlord, Tenant shall remove any or all permanent improvements or additions to the Premises installed at Tenant's cost and all movable partitions, counters and other personal property of Tenant removable without material damage to such property or the Premises which may be left by Tenant and repair any damage resulting from such removal. Tenant shall indemnify Landlord against any 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.

All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term of this Lease shall survive the expiration or earlier termination of the Term. Upon the expiration or earlier termination of the Term, Tenant shall pay to Landlord the amount, as estimated by Landlord, necessary: (i) to repair, restore and broom clean the Premises as provided herein, removing Tenant's personal property if necessary; and (ii) to discharge Tenant's obligation for unpaid amounts due Landlord. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant, with Tenant being liable for any additional costs upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied.

30. NOTICES.

Any notice or document required or permitted to be delivered hereunder shall be in writing and shall be effective upon delivery, if personally delivered. All notices shall be personally delivered or sent by United States Mail, postage prepaid, Certified or Registered Mail and Receipted the next business day after being deposited with a nationally recognized overnight delivery service, addressed to the parties hereto at the respective addresses set forth on the Reference Page, or at such other address as they have theretofore specified by written notice delivered in accordance herewith.

31. TAXES PAYABLE BY TENANT.

In addition to rent and other charges to be paid by Tenant hereunder, Tenant shall reimburse to Landlord, upon demand, any and all taxes payable by Landlord (other than net income taxes or ad valorem taxes) whether or not now customary or within the contemplation of the parties hereto: (a) upon, allocable to, or measured by or on the gross or net rent payable hereunder, including without limitation any gross income tax, sales tax or excise tax levied by the State, any political subdivision thereof, or the Federal Government with respect to the receipt of such rent; or (b) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Premises or any portion thereof; including any sales, use or service tax imposed as a result thereof; or (c) upon or measured by Tenant's gross receipt or payroll or the value of Tenant's equipment, furniture, fixtures, and other personal property of Tenant or leasehold improvements, alterations, additions, located in the Premises; or (d) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

In addition to the foregoing, Tenant agrees to pay, before delinquency, any and all taxes levied or assessed against Tenant and which become payable during the Term upon Tenant's equipment, furniture, fixtures, and other personal property of Tenant located in the Premises.

32. DEFINED TERMS AND HEADINGS.

The paragraph headings herein are for convenience of reference and shall in no way define, increase, limit, or describe the scope or intent of any provision of this Lease. Any indemnification of, insurance of, or option granted to Landlord shall also include or be exercisable by Landlord's trustee, beneficiary, agents and employees, as the case may be. In any case, where this Lease is signed by more than one person, the obligations hereunder shall be joint and several. The terms "Tenant" and "Landlord" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, marital communities, firms, or corporations, and their and each of heir respective successors, executors, administrators, and permitted assigns, according to the context hereof. Tenant agrees to furnish promptly upon demand a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of Tenant to enter into this Lease. The term "rentable area" shall mean the rentable area of the Premises or the Building as calculated by Landlord on the basis of the plans and specifications (which were available for inspection by Tenant at the time the Lease was executed) of the Building and including a proportionate share of any common areas. Tenant hereby consents and agrees that the calculation of rentable area on the Reference Page shall be controlling.

33. ENFORCEABILITY.

If for any reason whatsoever any of the provisions hereof shall be void, unenforceable or ineffective, all of the other provisions shall be and remain in full force and effect.

34. REAL ESTATE BROKERS.

Each of the parties (i) represents and warrants to the other that it has not dealt with any broker or finder in connection with this Lease, except as described on the Reference Page; and (ii) indemnifies and holds the other harmless from any and all losses, liability, costs or expenses (including attorneys' fees) incurred as a result of any breach of the foregoing warranty. Landlord shall be solely responsible for brokerage fees payable to the brokers listed on the Reference Page.

35. TIME AND APPLICABLE LAW.

Time is of the essence of this Lease and all of its provisions. This Lease shall in all respects be governed by the laws of the state in which the Building is located.

36. PARKING.

Tenant shall have the right to use in common with other tenants or occupants of the Building, all of the automobile parking spaces at the Building, as shown on Exhibit A-2. Tenant shall not at any time park or permit the parking of Tenant's vehicles, or the vehicles of others, adjacent to loading areas or so as to interfere in any way with the use of such areas. Tenant shall not park or permit to be parked any inoperative vehicles or equipment on any portion of the parking or loading areas.

37. SUCCESSORS AND ASSIGNS.

Subject to Paragraph 13 hereof the obligations of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that Landlord and each successive owner of the Property shall be liable only for obligations accruing during the period of its ownership or interest and the liability of Landlord hereunder shall be limited to Landlord's stake or other title or interest in the Property. Landlord shall have no personal liability under any of the terms, conditions or covenants of this Lease and Tenant shall look solely to the equity of Landlord in the Property of which the Premises form a part and no other assets for the satisfaction of any claim, remedy or cause of action accruing to Tenant.

38. ENTIRE AGREEMENT.

It is expressly understood and agreed by and between the parties hereto that this lease and the riders attached hereto and forming a part hereof set forth all the promises, agreements, conditions and understandings between Landlord or its agents and Tenant relative to the Premises, and that there are no promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. It is further understood and agreed that, except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

39. HEADINGS AND TERMS.

The title and headings and table of contents of this Lease are for convenience of reference only and shall not in any way be utilized to construe or interpret the agreement of the parties as otherwise set forth herein. The term "Landlord" and term "Tenant" as used herein shall mean, where appropriate, all persons acting by or on behalf of the respective parties, except as to any required approvals, consents or amendments, modifications or supplements hereunder when such terms shall only mean the parties originally named on the first page of this Lease as Landlord and Tenant, respectively, and their agents so authorized in writing.

40. EXAMINATION NOT OPTION.

Submission of this Lease shall not be deemed to be a reservation of the Premises. Landlord shall not be bound hereby until its delivery to Tenant of an executed copy hereof signed by Landlord, already having been signed by Tenant, and until such delivery Landlord reserves the right to exhibit and lease the Premises to other prospective tenants.

41. RECORDATION.

Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party, and the party offering the same for recording shall pay all charges and taxes incident thereto.

42. LIMITATION OF LANDLORD'S LIABILITY.

The obligations of Landlord herein are intended to be binding only on the property of the entity acting as Landlord and shall not be personally binding, nor shall any resort be had to the private properties of, any of its trustees or board of directors and officers, as the case may be, its investment manager, the general partners thereof or any employees or agents of Landlord, or the investment manager.

43. REPRESENTATIONS AND WARRANTIES.

Landlord represents and warrants to and agrees with Tenant as follows:

(a) Landlord is equitable owner of the Premises, the Building and the Property.

(b) Landlord is a limited partnership duly organized and validly existing under the laws of Pennsylvania; Landlord has full power and authority under the laws of Pennsylvania to execute and deliver this lease and to perform its obligations hereunder, the signatory hereto on behalf of Landlord has full power and authority to bind Landlord; and all requisite actions necessary to authorize Landlord to execute and deliver this Lease and to perform its obligations hereunder have been taken. All requisite actions necessary to authorize Landlord to execute and deliver this Lease and to perform, its obligations hereunder have been taken.

44. GOVERNING LAW.

This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

45. WAIVERS.

No delay or forbearance by Landlord in exercising any right, or remedy hereunder or in undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter.

46. FORCE MAJEURE.

Landlord or Tenant shall be excused for the period of any delay in the performance of any of its obligations hereunder (other than payment of Rent) when prevented from so doing by cause or causes beyond its control which shall include, without limitation, all labor disputes, inability to obtain any material or services, civil commotion or Acts of God.

47. WAIVER OF TRIAL BY JURY.

It is mutually agreed by and between Landlord and Tenant that the respective parties hereto shall and then hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other.

48. SEVERABILITY.

Each covenant and agreement in this Lease shall for all purposes be construed to be separate and or the application thereof shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provision other than as invalid, illegal or unenforceable, shall not be effected thereby, and such provisions in this Lease shall be valid and enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the parties hereto, have caused this Agreement to be executed the date first mentioned.

LANDLORD:

TRIQUINT OPTOELECTRONICS, INC.

/s/ Stephanie Welty

By:	Stephanie Welty
Title:	VP, Finance
Date:	4/29/2005

TENANT:

CYOPTICS, INC.

/s/ Ed Coringrato

By:	Ed Coringrato
Title:	President and CEO
Date:	April 29, 2005

ADDENDUM

Hazardous Materials

Except as otherwise set forth in Paragraph 1(b) of the Lease, Tenant agrees that Tenant, its agents and contractors shall not use, manufacture, store or dispose of any flammable explosives, radioactive materials, hazardous wastes or materials, toxic wastes or materials, or other similar substances (collectively "Hazardous Materials") on under or about the Premises, provided that Tenant may handle, store, use or dispose of products (i) containing small quantities or Hazardous Materials, which products are of a type customarily found in offices and households (such as aerosol cans containing insecticides, toner for copiers, paints, pain remover, and the like), provided further that Tenant shall handle, store, use and dispose of any, such Hazardous Materials in a safe and lawful manner and shall not allow such Hazardous Materials to contaminate the Premises or the environment; or (ii) necessary to conduct the Permitted Use of the Premises described in Paragraph 1(b).

If Landlord, in its sole discretion, believes that the Premises or the environment have become contaminated with Hazardous Materials, in breach of the provisions of this Lease, Landlord, in addition to its other rights under this Lease, may enter upon the Premises and obtain samples from the Premises, including the soil and groundwater under the Premises, for the purposes of analyzing the same to determine whether and to what extent the Premises or the environment have become so contaminated, Tenant shall reimburse Landlord for the reasonable costs of such inspection, sampling and analysis.

Without limiting the above, Tenant shall indemnify and hold harmless Landlord from and against any and all claims, losses, liabilities, damages, costs and expenses, including without limitation, reasonable attorneys fees and costs, arising out of or in any way connected with the use, manufacture, storage, or disposal of Hazardous Materials by Tenant, its agents or contractors on, under or about the Premises including, without limitation, the cost of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required plans in connection herewith. The indemnity obligations of Tenant under this clause shall survive any termination of the Lease.

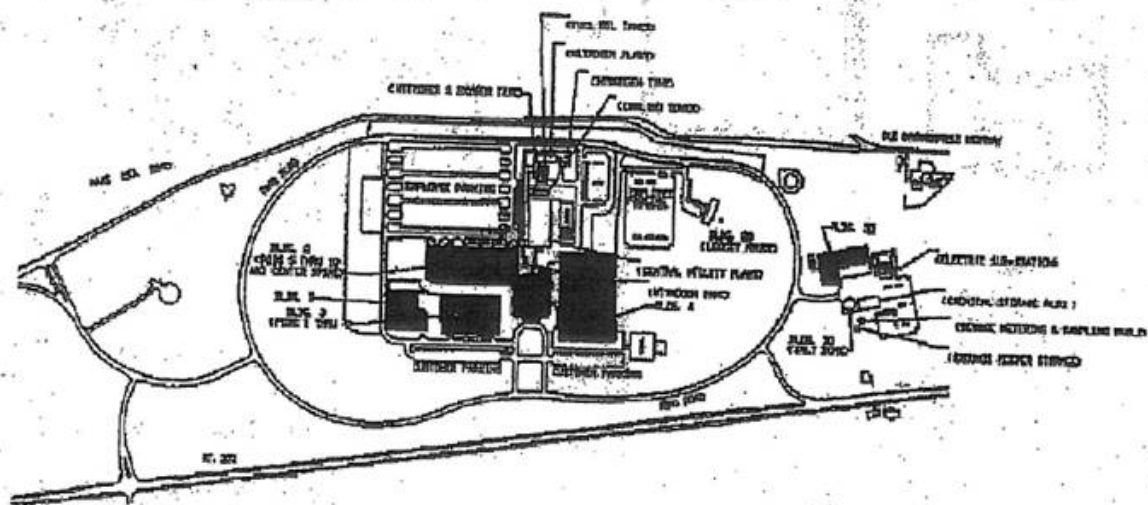
**EXHIBIT “A1”
LEGAL DESCRIPTION**

ALL THAT CERTAIN tract of land located in Upper Macungie Township, Lehigh County, Pennsylvania known as Lot 3, as shown on and described in accordance with a Minor Subdivision Plan for Agere Systems, Inc., prepared by Barry Isett & Associates, Inc., Tradetown, Pennsylvania, dated October 22, 2001, last revised February, 29, 2002 and recorded at Lehigh County Document ID No. 7025857, Document ID No. 7025858, Document ID No. 7025859, on August 28, 2002; and Document ID No. 7049645 on December 13, 2002, bounded and described as follows to with.

BEGINNING at the intersection of the Northerly ultimate right of way line of S.R. 0222 (100 foot right of way and the Easterly property line of lot 1 as shown on aforesaid Minor Subdivision Plan, thence along the lands of said Lot 1 the following seven coursed and distances: (1) North 16 degrees 30 minutes 00 seconds East, 177.27 feet; (2) along a circular curve to the right, having a radius of 530.00 feet and a central angle of 28 degrees 10 minutes 08 seconds (chord bearing and distance of North 30 degrees 35 minutes 04 seconds East, 257.95 feet), the arc length of 260.57 feet; (3) North 44 degrees 40 minutes 08 seconds East, 55.66 feet; (4) along a circular curve to the right, having a radius of 418.06 feet and a central angle of 38 degrees 56 minutes 58 seconds (chord bearing and distance of North 25 degrees 51 minutes 23 seconds West 278.75 feet), the arc length of 284.20 feet; (5) North 06 degrees 22 minutes 55 seconds West 105.56 feet; (6) along a circular curve to the left, having a radius of 275.00 feet and a central angle of 87 degrees 16 minutes 23 seconds (chord bearing and distance of North 50 degrees 01 minute 06 seconds West, 379.55 feet); the arc length of 418.88 feet, (7) North 03 degrees 39 minutes 18 seconds West, 50.00 feet to the Southerly ultimate right of way line of Hans Hill Road the following sixteen courses and distances: (1) North 86 degrees 20 minutes 42 seconds East, 558.25 feet; (2) North 86 degrees 35 minutes 18 seconds East, 572.50 feet; (3) along a circular curve to the right, having a radius of 1,155.00 feet and a central angle of 06 degrees 51 minutes 26 seconds (chord bearing and distance of South 89 degrees 58 minutes 59 seconds East, 138.15 feet), the arc length of 138.23 feet; (4) South 86 degrees 33 minutes 16 seconds East, 348.58 feet; (5) along a circular curve to the left, having a radius of 830.00 feet and a central angle of 03 degrees 29 minutes 59 seconds (chord bearing and distance of South 88 degrees 18 minutes 16 seconds East 50.69 feet); the arc length of 50.70 feet; (6) North 89 degrees 56 minutes 44 seconds East, 206.85 feet; (7) along a circular curve to the right having a radius of 755.00 feet and a central angle of 24 degrees 08 minutes 38 seconds (chord bearing and distance of South 77 degrees 58 minutes 57 seconds East, 315.80 feet); the arc length of 318.15 feet; (8) South 65 degrees 54 minutes 39 seconds East, 682.47 feet; (9) along a circular curve to the left, having a radius of 1,280.00 feet and a central angle of 02 degrees 13 minutes 29 seconds (chord bearing and distance of South 67 degrees 01 minutes 24 seconds East, 49.70 feet), the arc length or 49.70 feet; (10) South 68 degrees 08 minutes 09 seconds East, 431.15 feet; (11) along a circular curve to the right, having a radius of 230.00 feet and a central angle of 34 degrees 33 minutes 46 seconds (chord bearing and distance of South 50 degrees 51 minutes 14 seconds East, 136.65 feet); the arc length of 138.74 feet, (12) along a circular curve to the left, having a radius of 318.34 feet and a central angle of 29 degrees 51 minutes 07 seconds (chord bearing and distance of South 48 degrees 29 minutes 53 seconds East, 163.99 feet), the arc length of 165.86 feet; (13) South 63 degrees 25 minutes 27 seconds East, 406.25 feet; (14) South 62 degrees 09 minutes 53 seconds East, 329.07 feet; (15) along a circular curve to the left, having a radius of 2,130.00 feet and a central angle of 03 degrees 43 minutes 28 seconds (chord bearing and distance of South 64 degrees 01 minute 37 seconds, East, 138.43 feet), the arc length or 138.46 feet; (16) South 65 degrees 53 minutes 21 seconds East, 191.84 feet to the Westerly property line of lands of Ralph C. Derr; thence along said lands of Ralph C. Derr the following five courses and distances; (1) South 27 degrees 44 minutes 28 seconds West, 168.94 feet; (2) south 66 degrees 31 minutes 26 seconds East 70.70 feet; (3) South 24 degrees 57 minutes 00 seconds West, 89.86 feet; (4) South 71 degrees 56 minutes 50 seconds East, 92.88 feet; (5) North 70 degrees 46 minutes 14 seconds East, 173.55 feet to the Westerly property line of Lot 2 as shown on aforesaid Minor Subdivision Plan, thence along said property line of Lot 2, South 15 degrees 29 minutes 13 seconds West, 971.56 feet to the aforesaid Northerly ultimate right of way line of S.R. 0222 (100 foot right of way); thence along said Northerly ultimate right of way line of S.R. 0222, North 73 degrees 30 minutes 47 seconds West, 457.51 feet to the Easterly property line of the lands of Verne A. Seagreaves, thence along said lands of Verne A. Seagreaves the following three courses and distances (1) North 16 degrees 29 minutes 04 seconds East, 150.01 feet; (2) North 73 degrees 29 minutes 16 seconds West, 193.10 feet; (3) South 03 degrees 12 minutes 45 seconds West, 134.01 feet to the aforesaid Northerly ultimate right of way line of S.R. 0222, thence along said right of way North 73 degrees 30 minutes 00 seconds West, 3,717.44 feet to the point of beginning.

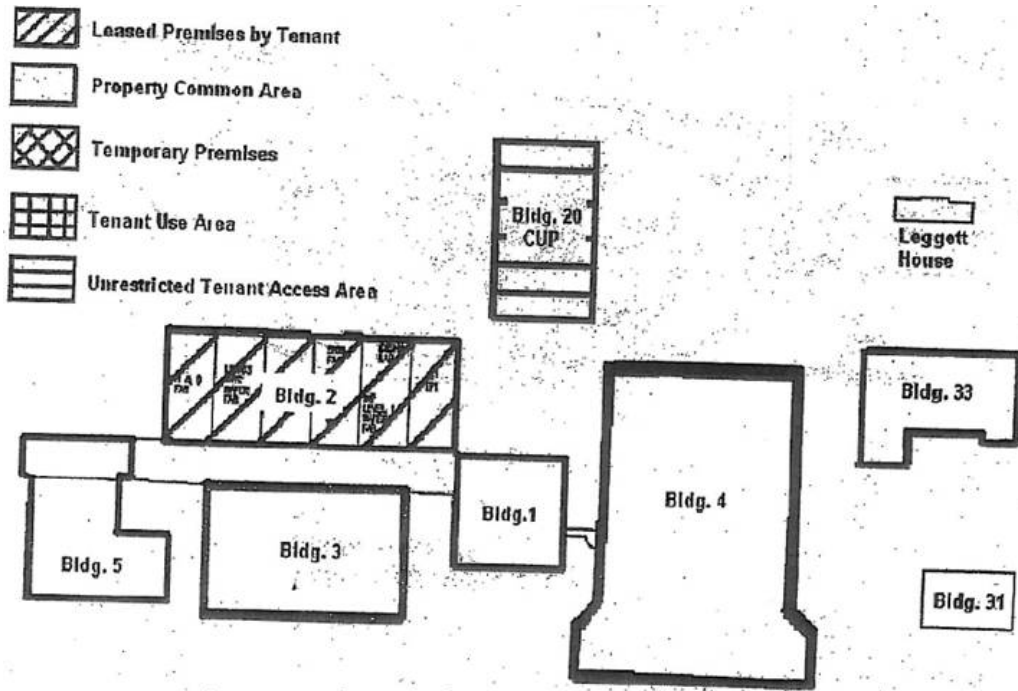
BEING Tax Parcel No. 545408213261-1.

9999 Hamilton Boulevard
Breinigsville, PA
A-2



Building Location Plan A-3

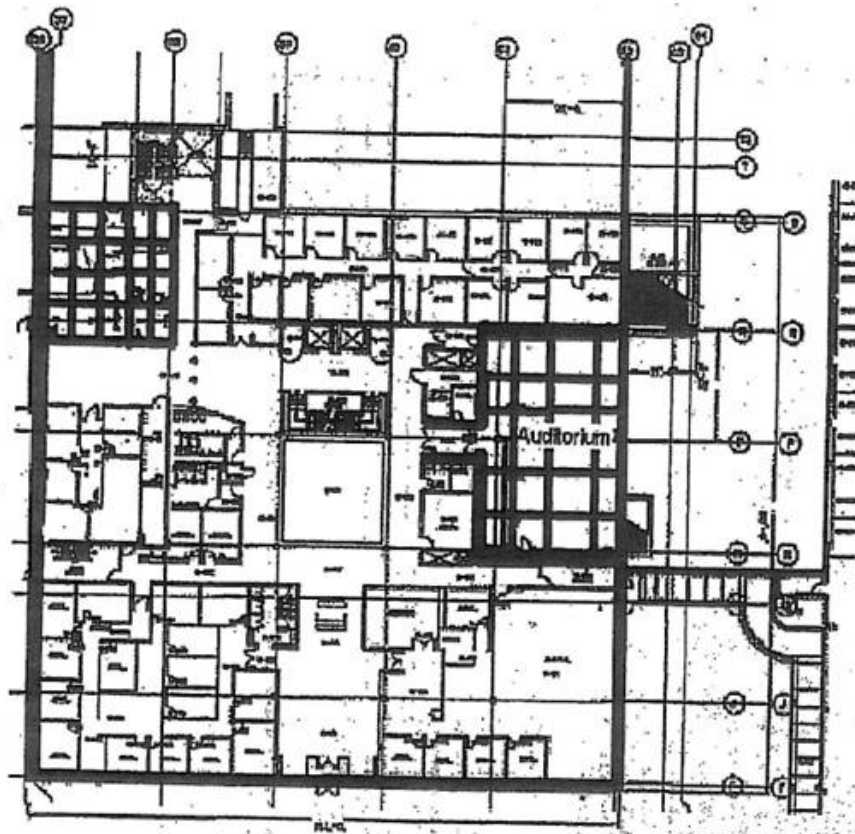
Building Color corresponds with colored floor plan attached.



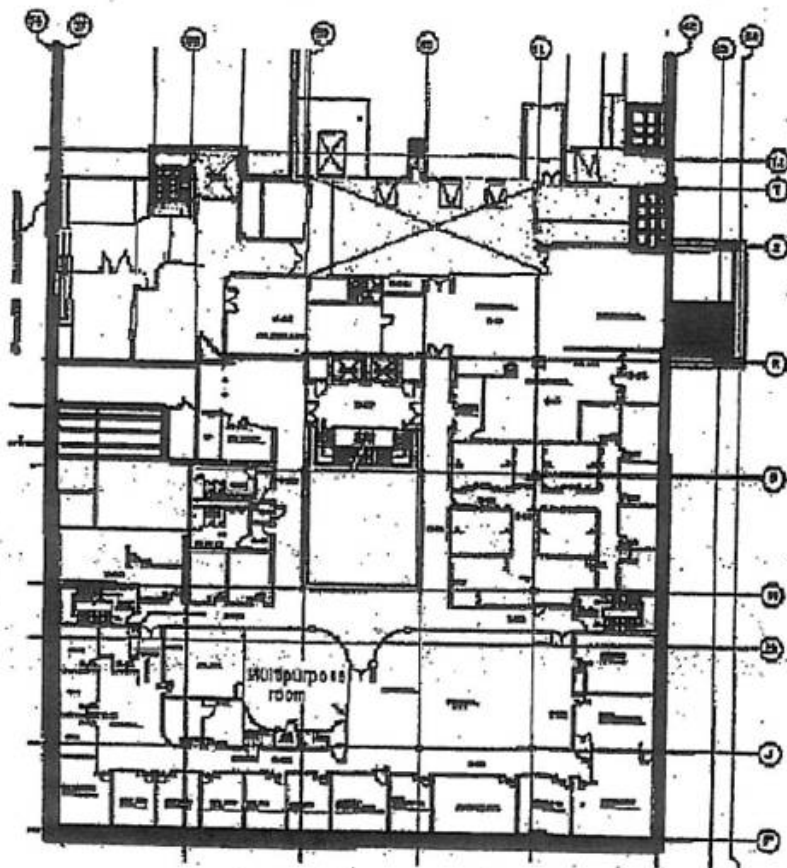
**Nitrogen Tank
Filling Room**

Telephone Switch Room

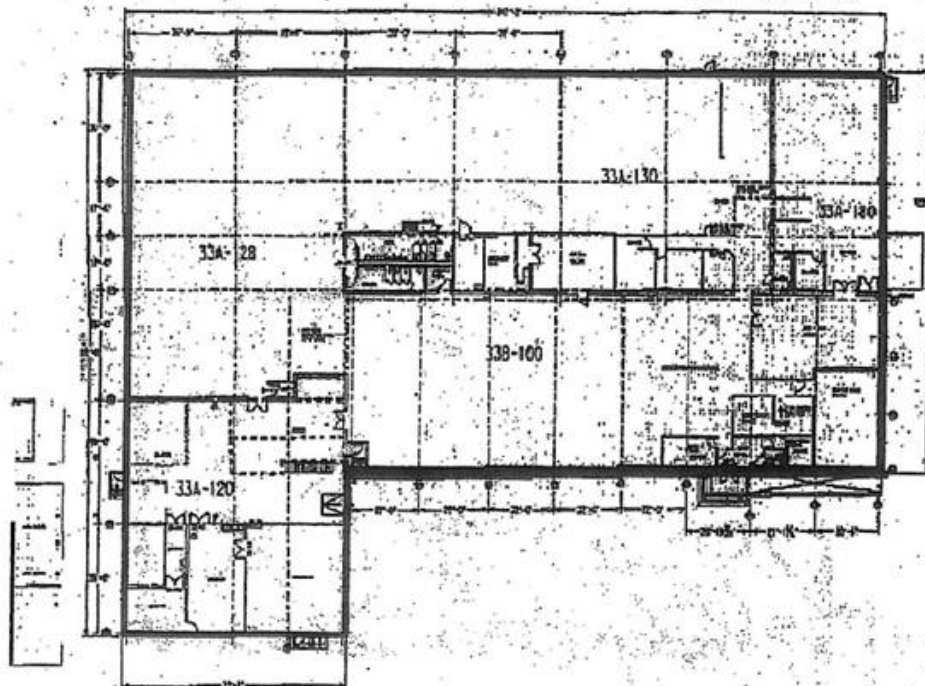
Data Center



**Building #1
First Floor
A-5**



**Building #1
Second Floor
A-6**



**Building #33
First Floor
A-13**

EXHIBIT “B”

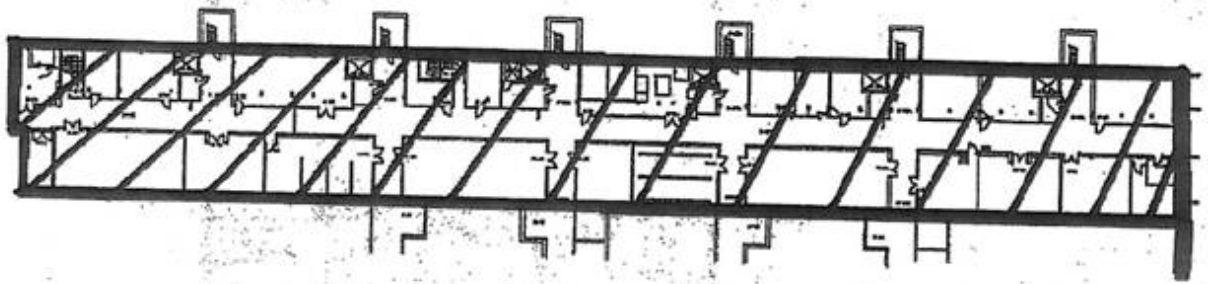
TENANT IMPROVEMENTS

Tenant accepts the Premises in As-is / where-is condition. Landlord shall have no responsibility to perform any tenant improvements.

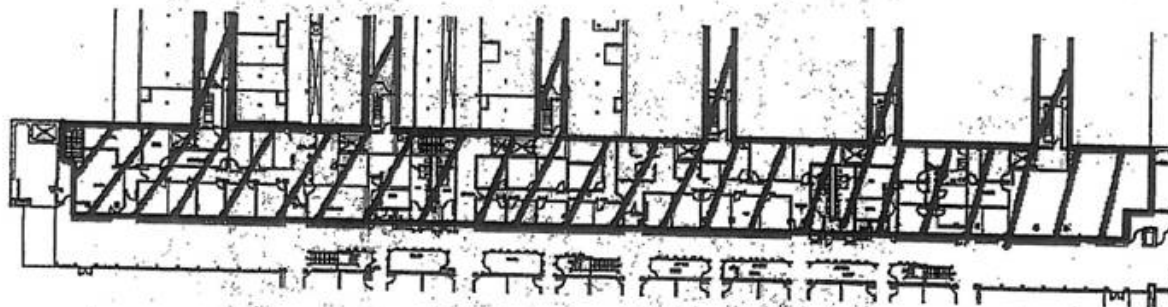
EXHIBIT “C”

RULES AND REGULATIONS

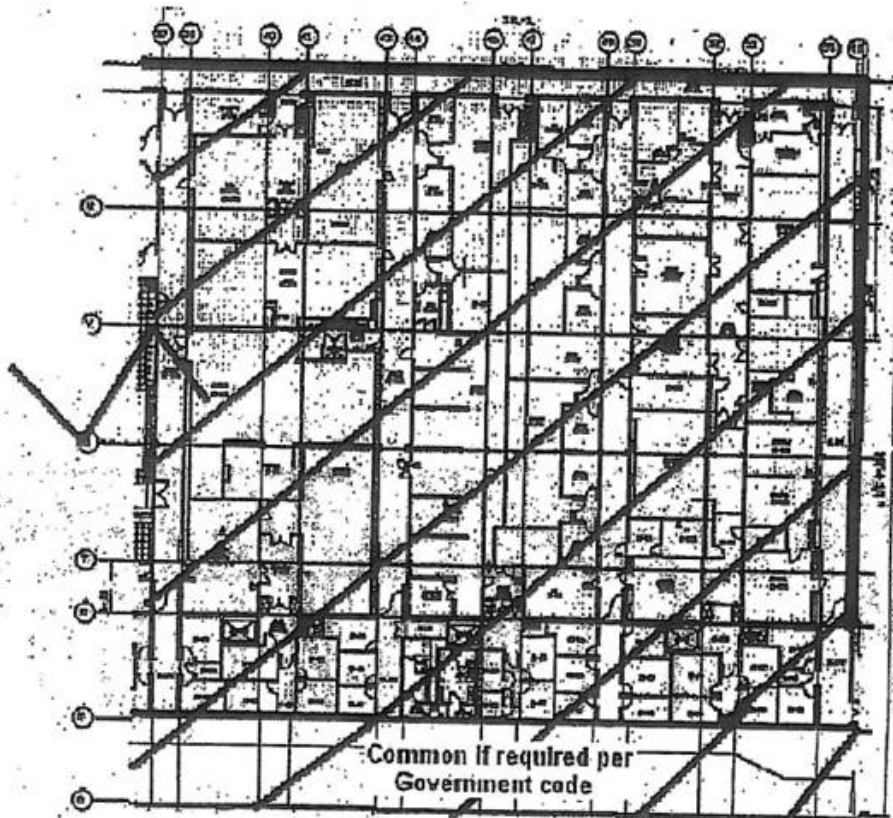
[TO BE ATTACHED]



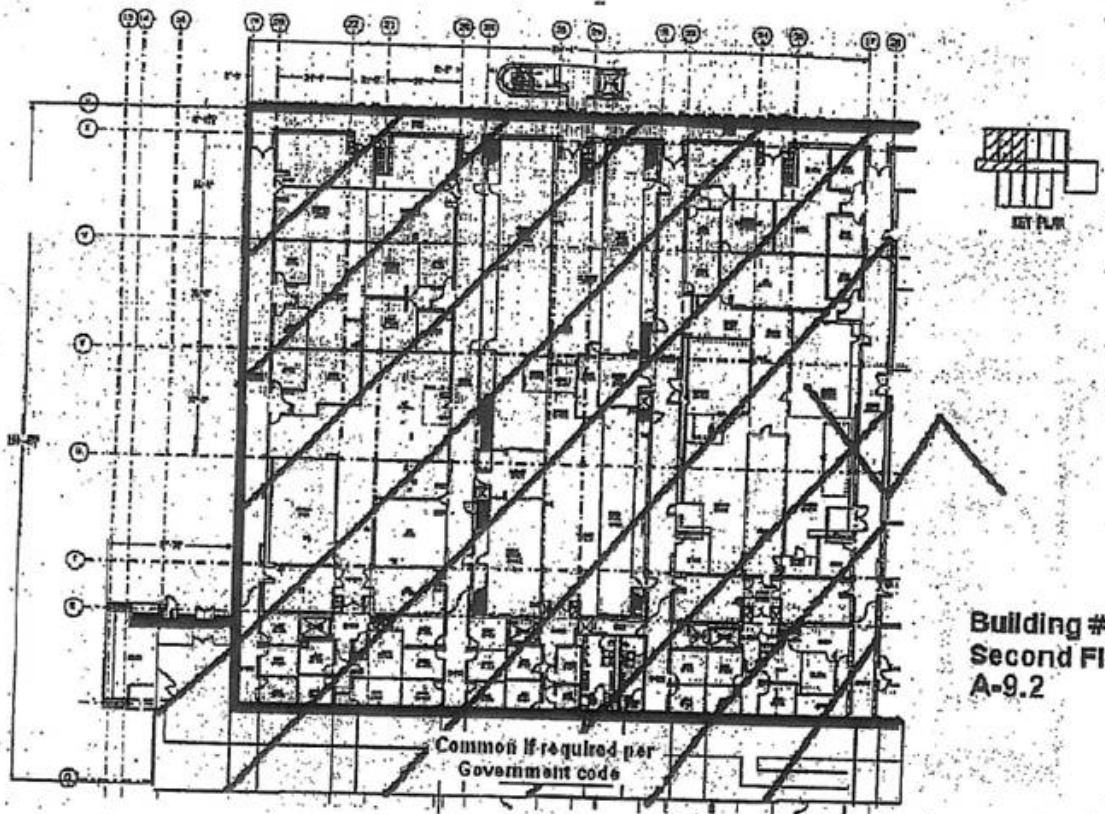
**Building #2
Basement
A-7**



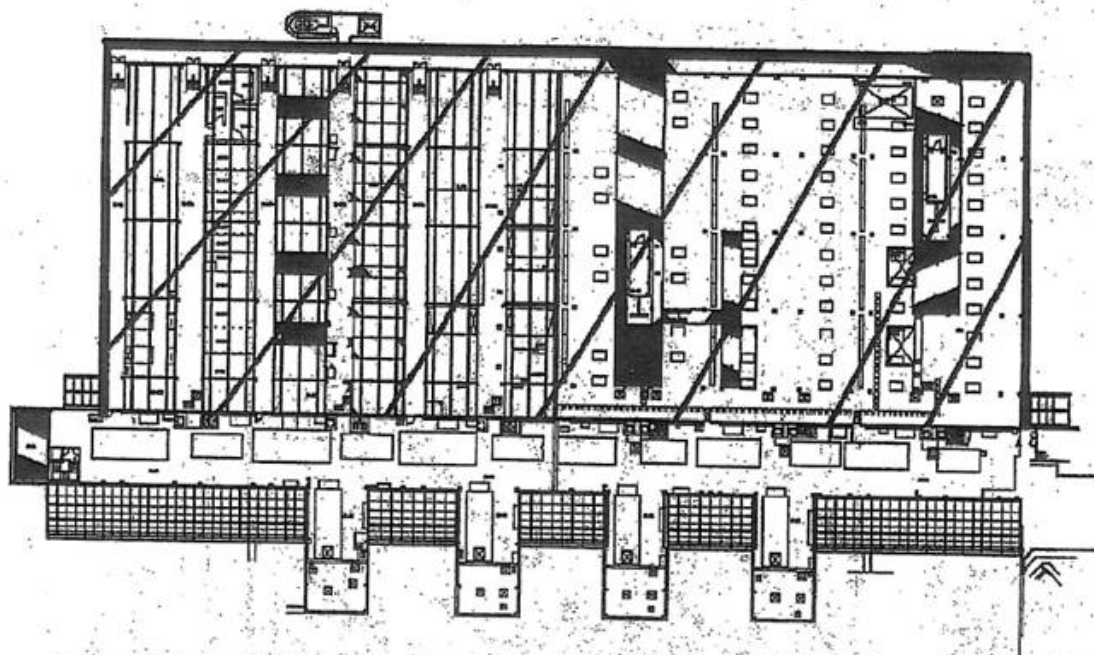
Building #2
First Floor
A-8



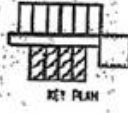
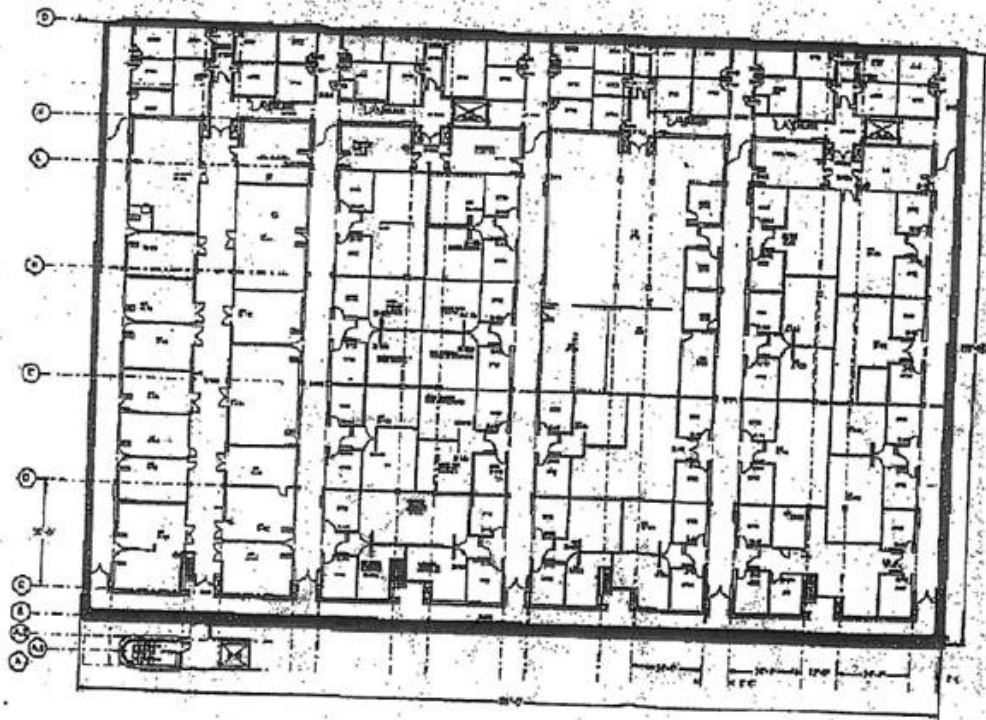
**Building #2A
Second Floor
A-9.1**



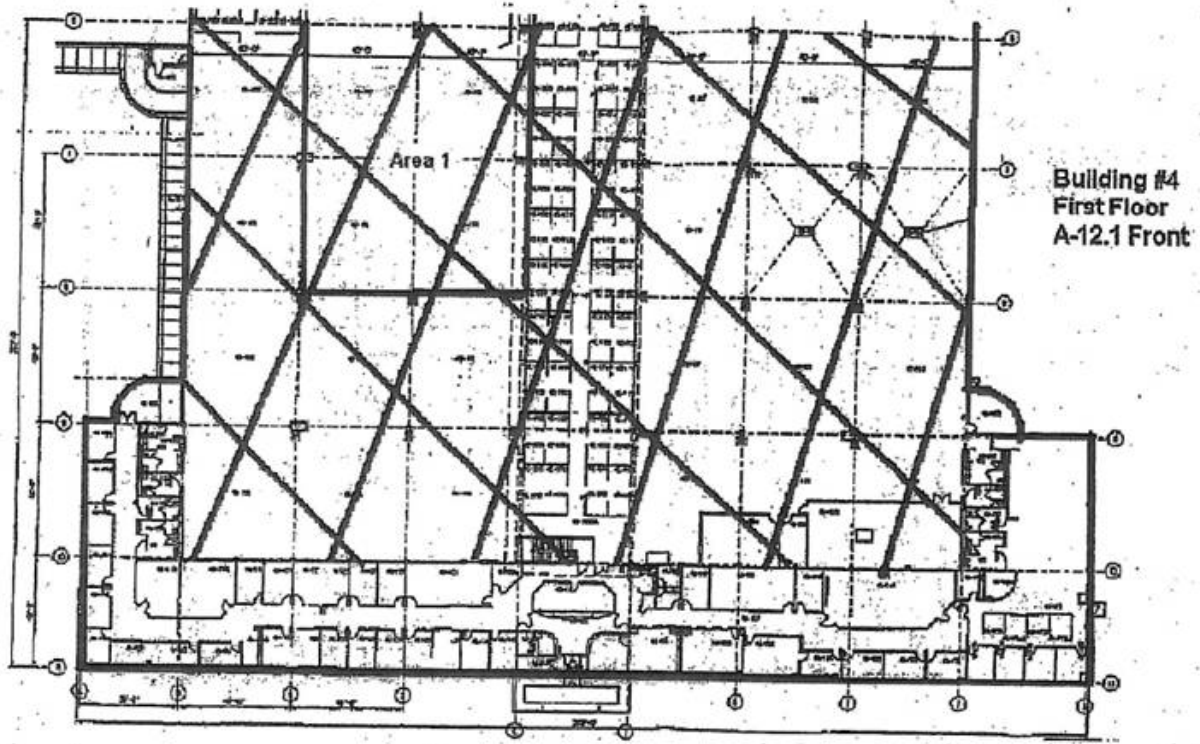
**Building #2B
Second Floor
A-9.2**

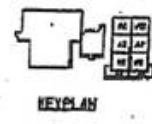
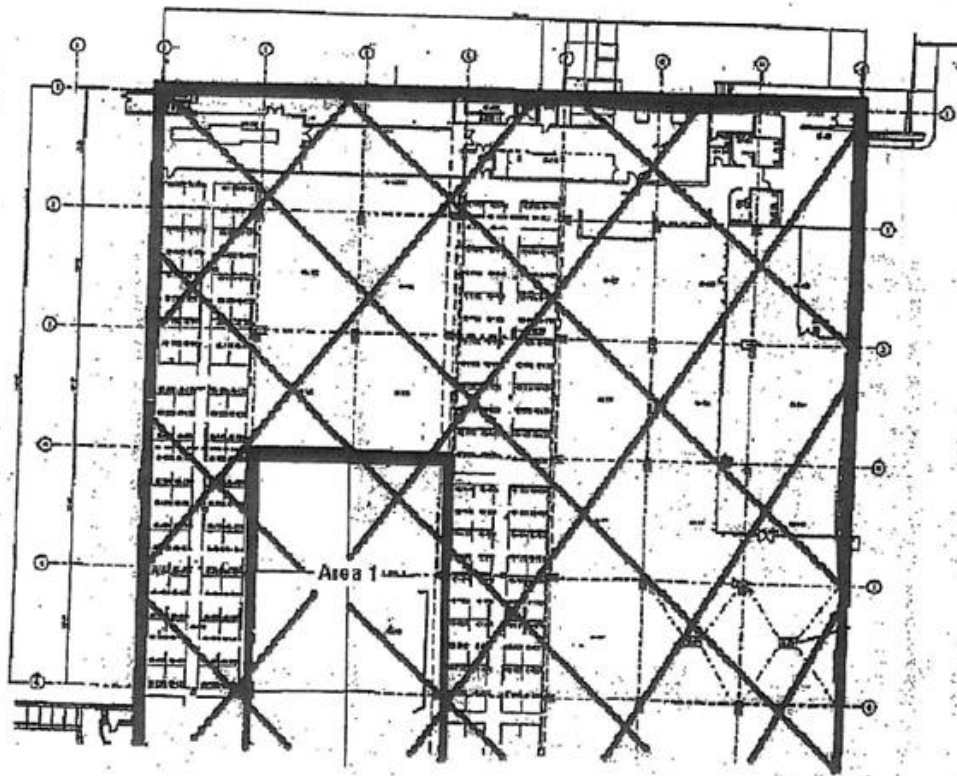


Building #2
Mezzanine
A-10



Building #3
First Floor
A-11





**Building #4
Section "B"
First Floor
A-12.2 Rear**

EXHIBIT “D”

COST ALLOCATION

	Estimated Total Cost	TriQuint portion	Anthem portion	Comments
<u>ANTHEM COSTS SOLELY</u>				
Facility Manager — Bruce George	\$ 110,000	\$0	\$ 110,000	B. George to Anthem, terms to be agreed
Property Insurance (ordinary hazard)	\$ 112,000	\$0	\$ 112,000	
Property Taxes	\$ 706,908	\$0	\$ 706,908	
Landscaping service/snow removal	\$ 50,000	\$0	\$ 50,000	
Diesel fire pump service	\$ 3,000	\$0	\$ 3,000	Cost to maintain sprinkler pump
Pest control	\$ 2,500	\$0	\$ 2,500	
Elevator service	\$ 12,000	\$0	\$ 12,000	
	\$ 996,408	\$0	\$ 996,408	
<u>TRIQUINT/ANTHEM SHARED COSTS</u>				
Berkshire fire detection system	\$ 25,000	\$ 16,675	\$ 8,325	
Fire extinguisher and hose rack service	\$ 7,000	\$ 4,632	\$ 2,331	
Natural Gas	\$ 600,000	\$ 500,000	\$ 100,000	
Public water supply-LCA	\$ 80,000	\$ 80,000	\$0	
Sewer service — UMT	\$ 100,000	\$ 100,000	\$0	
Electric-estimated (5)	\$ 1,200,000	\$ 1,150,000	\$ 50,000	
Boiler inspection — dept. of labor	\$ 1,000	\$ 1,000	\$0	
Chiller service	\$ 35,000	\$ 35,000	\$0	
Boiler service	\$ 40,000	\$ 40,000	\$0	
	\$ 2,088,000	\$ 1,927,337	\$ 160,658	
<u>Subtotal</u>	\$ 3,084,408	\$ 1,927,337	\$ 1,157,064	
<u>TRIQUINT OPERATING COSTS — estimated</u>				
Salaries/Contracts	\$ 300,000	\$ 300,000	\$0	
Salaries-staff	\$ 200,000	\$ 200,000	\$0	
Copiers	\$ 15,000	\$ 15,000	\$0	
Janitorial services	\$ 75,000	\$ 75,000	\$0	
Bulk Gases	\$ 425,000	\$ 425,000	\$0	
Fuel oil	\$0	\$0	\$0	
Recycling	\$ 3,000	\$ 3,000	\$0	
Emergency generator service	\$ 3,000	\$ 3,000	\$0	
UPS service- Liebert	\$ 8,000	\$ 8,000	\$0	
Water treatment	\$ 15,000	\$ 15,000	\$0	
GE - emergency switchgear service	\$ 10,000	\$ 10,000	\$0	
Combustible gas monitor service	\$ 13,000	\$ 13,000	\$0	
Wastewater sampling service	\$ 3,000	\$ 3,000	\$0	
Chemical disposal service	\$ 10,000	\$ 10,000	\$0	
DI water system	\$ 8,000	\$ 8,000	\$0	
Motor generator UPS service	\$ 7,000	\$ 7,000	\$0	
Scales air compressor part/service	\$ 15,000	\$ 15,000	\$0	
Siemens BAS/security system	\$ 35,000	\$ 35,000	\$0	

Vibration analysis on fans and pumps	\$	7,000	\$	7,000	\$0
Trash and paper recycling	\$	10,000	\$	10,000	\$0
Water softener salt	\$	10,000	\$	10,000	\$0
MDA monitor maint.	\$	8,000	\$	8,000	\$0
Misc. parts end repairs	\$	50,000	\$	50,000	\$0
Security systems	\$	5,000	\$	5,000	\$0
EH&S	\$	25,000	\$	25,000	\$0
	\$	1,260,000	\$	1,260,000	\$0

EXHIBIT “E”

FORM-OF GUARANTY

GUARANTY OF LEASE

THIS GUARANTY OF LEASE is attached to and is hereby made a part of that certain Lease Agreement dated 2005 (the “Lease”), between CyOptics, Inc. (“Tenant”) and TriQuint Optoelectronics, Inc., whose interest as lessor is being assigned to (“Landlord”) by an assignment dated of even date herewith (the “Assignment”).

FOR VALUE RECEIVED and in consideration of and as an inducement to Landlord entering into the Assignment, the undersigned guarantor, TriQuint Semiconductor, Inc. (“Guarantor”), unconditionally and continuously guarantees to Landlord, its successors and assigns, the full and timely payment by Tenant of all Annual Base Rent due and owing under the Lease from and after the date hereof dining the Initial Term, as those capitalized terms are defined in the Lease, or until the Lease is assigned or the Premises are sublet by Tenant.

This Guaranty and the obligations of Guarantor hereunder shall not be terminated or impaired by reason of the granting by Landlord of any indulgences to Tenant or the assertion by Landlord against Tenant of any of Landlord’s rights or remedies under the Lease, or by the relief of Tenant from any of Tenant’s obligations under the Lease by operation of law or otherwise, whether or not Guarantor has received notice of same. Guarantor waives all suretyship defenses, notice of any breach by Tenant, and right to a jury trial

Landlord’s delay or failure to insist upon the strict performance or observance of any obligation of Tenant under the Lease or to exercise any right or remedy available under the Lease or at law or in equity, shall not be construed to be a waiver of Landlord’s prerogative to insist upon such strict performance or observance or to exercise any such right or remedy. Receipt by Landlord of rent or other payment with knowledge of a breach of any term or condition of the Lease shall not be construed to be a waiver of such breach.

The liability of Guarantor hereunder shall not be affected or limited by: the release or discharge of Tenant in any creditors’ receivership, bankruptcy or other proceedings; the impairment, limitation or modification of the liability of the Tenant or the estate of the Tenant in bankruptcy, or of any remedy for the enforcement of Tenant’s said liability under the Lease, resulting from the operation of any present or future provision of the federal bankruptcy laws or other statutes or from the decision in any court the rejection or disaffirmance of the Lease in any such proceedings; any disability or other defense of Tenant; or the cessation from any cause whatsoever, of the liability of Tenant.

ASSIGNMENT AND ASSUMPTION OF LEASE

This **ASSIGNMENT AND ASSUMPTION OF LEASE** (the “Assignment”) is made as of the day of June, 2005, between **TriQuint Optoelectronics, Inc.**, a Delaware corporation (“Assignor”), and **Hamilton TEK Partners, L.P.**, a Pennsylvania limited partnership (“Assignee”).

For and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration to it in hand paid by Assignee to Assignor, the conveyance by Assignor to Assignee of all that certain real property commonly known as 9999 Hamilton Boulevard, Breinigsville, PA 18031 (the “Property”), and the mutual covenants herein contained, the receipt and sufficiency of the foregoing consideration being hereby acknowledged by the parties hereto, Assignor hereby assigns, transfers, sets over and conveys to Assignee all of Assignor’s right, title and interest in, to, and under that certain Lease Agreement for a portion of the Property by and between Assignor and CyOptics, Inc., dated as of April 29, 2005 (the “Lease”).

Effective only from and after the date hereof and by acceptance hereof, Assignee assumes and agrees to be bound by and agrees to perform all of Assignor’s obligations solely as the same are set forth in writing in the Lease.

Assignee shall indemnify and hold Assignor harmless from and against any actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys’ fees incurred in connection therewith), based upon or arising out of any breach or alleged breach of the Lease or out of any other statement of facts connected with the Lease occurring or alleged to have occurred after the date hereof. Assignor shall indemnify and hold Assignee harmless from and against any actions, suits, proceedings or claims, and all costs and expenses (including, without limitation, reasonable attorneys’ fees incurred in connection therewith), based upon or arising out of any breach or alleged breach of the Lease or out of any other statement of facts connected with the Lease occurring or alleged to have occurred up to and including the date hereof

This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective heirs, executors, administrators, successors and assigns.

This Assignment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

EN WITNESS WHEREOF, Assignor and Assignee have each executed this Assignment as of the date first written above.

ASSIGNOR:

TriQuint Optoelectronics, Inc., a Delaware
corporation

By: /s/ Stephanie Welty
Stephanie Welty
Vice President of Finance

ASSIGNEE:

Hamilton TEK Partners, L.P., a
Pennsylvania limited partnership

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

SUBORDINATION, NON-DISTURBANCE

AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NO-DISTURBANCE AND ATTORNMENT AGREEMENT (this “**Agreement**”), dated July 13, 2005, is entered into by and among **Optics, Inc.**, a Delaware corporation with offices at 7360 Windsor Drive, Allentown, PA 18106 (the “**ILLEGIBLE**”), and **Hamilton TEK Partners, L.P.**, a Pennsylvania limited partnership with offices at 120 ILLEGIBLE Germantown Pike, Plymouth Meeting, PA 19462 (the “**Landlord**”), and **SOVEREIGN BANK**, ILLEGIBLE offices at 1500 Market Street, Concourse Level, Philadelphia, Pennsylvania 19102 (the “**Lender**”).

W I T N E S S E T H:

WHEREAS, Landlord is the holder of a fee interest in the real property commonly ILLEGIBLE as **TEK Park, Breinigsville, Pennsylvania** (the “**Property**”), a portion of which consists of 769 square feet of rentable floor area in a building at 9999 Hamilton Boulevard, Breinigsville, Lehigh ILLEGIBLE, Pennsylvania (the “**Premises**”) is leased to Tenant pursuant to a Lease, dated as of April 29, ILLEGIBLE between the Tenant and Landlord’s predecessor in interest TriQuint Optoelectronics, Inc. (the “**ILLEGIBLE**”), leasing the Property to Tenant;

WHEREAS, Lender has agreed to make a certain mortgage loan (the “**Loan**”) to ILLEGIBLE, which will be evidenced by Landlord’s Promissory Note in such amount (the “**Note**”) and ILLEGIBLE by, among other things, a certain Construction Loan Agreement, Mortgage, Security Agreement, ILLEGIBLE of Rents and Leases, Collateral Security Agreement, Collateral Assignment Security ILLEGIBLE and all other related security and loan documents of even date (the “**Mortgage**”) encumbering Property, which Mortgage is to be recorded contemporaneously herewith;

WHEREAS, Lender, Landlord and Tenant desire to confirm their understanding with ILLEGIBLE to the Lease and the Loan and the rights of Tenant and Lender thereunder.

NOW THEREFORE, in consideration of the mutual covenants and agreements ILLEGIBLE herein and for other good and valuable consideration, the receipt and sufficiency of which are ILLEGIBLE acknowledged, the parties hereto agree as follows:

1. Subordination. Notwithstanding anything to the contrary set forth in the Lease, ILLEGIBLE subordinates and subjects the Lease and the leasehold estate created thereby and all of Tenant’s ILLEGIBLE thereunder to the Mortgage and the liens thereof and all advances and rights of Lender thereunder ILLEGIBLE to any and all renewals, modifications, consolidations, replacements and extensions thereof, as fully ILLEGIBLE as if the Mortgage and all of its renewals, modifications, consolidations, replacements and extensions ILLEGIBLE been executed, delivered and recorded prior to execution of the Lease. Without affecting the ILLEGIBLE subordination, Lender may, from time to time: (a) extend by renewal or otherwise and in ILLEGIBLE or in part, the terms of payment or performance of any obligation secured by the Mortgage; release, surrender, exchange or modify any obligation secured by the Mortgage, or any security for ILLEGIBLE obligation; or (c) settle or compromise any claim with respect to any obligation secured by the mortgage or against any person who has given security for any such obligation.

2. Non-Disturbance. If, at any time, Lender or any of Lender’s successors or assigns who shall acquire the interest of Landlord under the Lease through a foreclosure of the Mortgage, the exercise of the power of sale under the Mortgage, a deed-in-lieu of foreclosure or otherwise (such party being a “**New Owner**”) shall succeed to the interests of Landlord under the Lease, then so long as (i) the Lease is then in full force and effect, and (ii) no default shall have occurred and be continuing (collectively, a “**Default**”) by Tenant under the Lease, the Lease shall continue in full force and effect as a direct lease between the New Owner, as successor Landlord and Tenant, upon and subject to all of the terms, covenants and conditions of the Lease for the balance of the term thereof, Tenant hereby agrees to attorn to and accept any such New Owner as landlord under the Lease and to be bound by and perform all of the obligations imposed by the Lease, and Lender, or any such New Owner of the Property, agrees that it will not disturb the possession of Tenant and will be bound by all of the obligations imposed on the Landlord by the Lease; provided, however, that any New Owner shall not be:

(a) liable for any act or omission of a prior landlord (including Landlord) arising prior to the date upon which the New Owner shall succeed to the interests of Landlord under the Lease; or

(b) subject to any claims, offsets or defenses which Tenant might have against any prior landlord (including Landlord) arising prior to the date upon which the New Owner shall succeed to the interests of Landlord under the Lease; or

(c) bound by any rent or additional rent which Tenant might have paid in advance to any prior landlord (including Landlord) for a period in excess of one (1) month or by any security deposit, cleaning deposit or other prepaid charge which Tenant might have paid in advance to any prior landlord (including Landlord), except to the extent that such New Owner actually comes into exclusive possession of the same; or

(d) bound by any assignment (except as permitted by the Lease) surrender, release, waiver, cancellation, amendment or modification of the Lease made without the written consent of Lender; or

(e) responsible for the making of any improvement to the Property or repairs in or to the Property in the case of damage or destruction of the Property or any part thereof due to fire or other casualty or by reason of condemnation unless such New Owner shall be obligated under the Lease to make such repairs; or

(f) obligated to make any payment to Tenant except for the timely return of any security deposit actually received by such New Owner.

Nothing contained herein shall prevent Lender from naming or joining Tenant in any foreclosure or other action or proceeding initiated by Lender pursuant to the Mortgage to the extent necessary under applicable law in order for Lender to avail itself of and complete the foreclosure or other remedy, but such naming or joinder shall not be in derogation of the rights of Tenant as set forth in this Agreement.

3. Cure by Lender of Landlord Defaults. Tenant agrees that from and after the date hereof, in the event of any act or omission by Landlord that would give Tenant the right, either immediately or after the lapse of time, to terminate or cancel the Lease or to claim a partial or total eviction, or to abate or reduce rent. Tenant will not exercise any such right until Tenant has given written notice of such act or omission to Lender and Lender has failed within thirty (30) days after both receipt of such notice by Lender and the time when Lender shall have become entitled under the Mortgage to remedy the same, to commence to cure such act or omission within such period and thereafter diligently prosecute such cure to completion. Notwithstanding the foregoing, if Lender cannot commence such cure without possession of the Property, Tenant will not exercise any such right if Lender commences judicial or non judicial proceedings to obtain possession within such period and thereafter diligently prosecutes such efforts and cure to completion. Further, Tenant shall not as to Lender, require cure of any such act or omission which is not susceptible to cure by Lender.

4. Payments to Lender and Exculpation of Tenant. Tenant is hereby notified that the Lease and the rent and all other sums due thereunder have been assigned to Lender as security for the Loan. In the event that Lender or any future party to whom Lender may assign the Mortgage notifies Tenant of a default under the Mortgage and directs that Tenant pay its rent and all other sums due under the Lease to Lender or to such assignee, Tenant shall honor such direction without inquiry and pay its rent and all other sums due under the Lease in accordance with such notice. Landlord agrees that Tenant shall have the right to rely on any such notice from Lender or any such assignee without incurring any obligation or liability to Landlord and Tenant is hereby instructed to disregard any notice to the contrary received from Landlord or any third party.

5. Estoppel. Tenant states, declares, represents and warrants as follows:

(a) The description of the Lease in the recitals hereof is true, correct and complete, including all amendments, supplements and modifications thereto. Concurrently herewith, Tenant is delivering to Landlord a true, correct and complete copy of the Lease, which is not intended to be recorded. Tenant has properly executed the Lease and the Lease is in full force and effect.

(b) As of the date hereof, the minimum monthly or base rent being paid by Tenant for the Premises pursuant to the terms of the Lease is \$100,000.00 per month. If applicable, percentage rent due under the Lease has been paid through June 30, 2005 and the amount of percentage rent for the last period paid was \$N/A (if none, so state). If applicable, common area maintenance, taxes, insurance and other charges due under the Lease have been paid through June 30, 2005 (if none, so state).

(c) Tenant has accepted possession of the Premises under the Lease, and all items of an executory nature relating thereto to be performed by Landlord have been completed.

(d) Tenant acknowledges that the initial term of the Lease commenced on April 29, 2005, and shall expire on March 31, 2007, unless sooner terminated in accordance with the terms of the Lease. Tenant has no option to renew or extend the lease term, except as follows (if none, so state): One (1) additional five (5) year period or five (5) additional two (2) year periods.

(e) Tenant has not defaulted in the performance of the terms, covenants and conditions of the Lease required to be performed on the part of Tenant.

(f) Landlord has not defaulted in the performance of the terms, covenants and conditions of the Lease required to be performed on the part of Landlord.

(g) Tenant has not assigned, sublet, transferred, hypothecated or otherwise disposed of its interest in the Lease and/or the Premises, or any part thereof.

(h) There have been no promises or representations made to Tenant by Landlord concerning the Lease or the Premises not contained in the Lease.

(i) Neither the Lease nor any obligations of Tenant thereunder have been guaranteed by any person or entity, except as follows (if none, so state): TriQuint Semiconductor, Inc. has guaranteed the annual base rent for the initial two (2) year period of the lease.

(j) No hazardous substances are being (or have been or will be during the term of the Lease) generated, used, handled, stored or disposed of by Tenant on the Premises or on the Property in violation of any applicable laws, rules or regulations or the terms of the Lease.

(k) No rents are accrued and unpaid under the Lease.

(l) No security or deposits as security have been made under the Lease, except for the sum of \$N/A (if none, so state), in cash, which has been deposited by Tenant with Landlord pursuant to the terms of the Lease.

(m) Tenant has no defense as to its obligations under the Lease and asserts no setoff, claim or counterclaim against Landlord.

(n) Tenant has not received notice of any assignment, hypothecation, mortgage or pledge of Landlord's interest in the Lease or the rents or other amounts payable thereunder, except as follows (if none, so state): None.

(o) Tenant has no right or option of any nature whatsoever, whether pursuant to the Lease or otherwise, to purchase the Property, or any portion thereof or any interest therein. To the extent that Tenant has had or hereafter acquires any such right or option, such right or option is hereby acknowledged to be subject and subordinate to the Mortgage and is hereby waived and released with respect to, and shall not be asserted against, any New Owner.

(p) Tenant has not paid rent or additional rent beyond the current month and agrees not to pay rent or additional rent more than one month in advance at any time.

(q) Landlord has not agreed to grant Tenant any free rent or rent abatement or to make any contribution to tenant improvements. Landlord has not agreed to reimburse Tenant for or to pay Tenant's rent obligation under any other lease.

(r) Tenant does not have any purchase option or right of first refusal with respect to the Building. Tenant does not have any right or option for additional space in the Building.

(s) Since the date of the Lease, there has been no material adverse change in the financial condition of Tenant, and there are no action's, whether voluntary or otherwise, pending against Tenant under the bankruptcy, reorganization, arrangement, moratorium or similar laws of the United States, any state thereof or any other jurisdiction.

Whenever requested by Lender, Tenant shall, without charge, execute and deliver to Lender a written confirmation that the representations contained in this paragraph 5 remain correct and complete (or specifying any matter to the contrary).

6. If each of the following conditions exist at the time of a proposed assignment or sublease of all or part of Tenant=s rights under the Lease, such assignment or sublease shall be deemed a AQualified Assignment@ under this Agreement. An assignment or sublease shall be a AQualified Assignment@ if, but only if, at the time the assignment or sublease becomes effective, all of the following conditions exist:

- (i) Tenant and Guarantor shall not be in material breach of its obligations under the Lease or this Agreement.
- (ii) The assignment or sublease shall not be for a term extending beyond the vested term of the Lease (taking into account any extensions provided for in the Lease).
- (iii) Prior to the assignment or sublease becoming effective, Tenant shall have delivered to Lender (A) a true and complete copy of the assignment or sublease and all related terms and agreements, and (B) a recordable written document signed and acknowledged by the assignee or sublessee, (I) acknowledging that the assignee or sublessee and its, his or her successors, personal representatives, heirs and assigns shall be bound by the terms of this Agreement, and (II) verifying that the copy of the assignment or sublease attached thereto is a true and complete copy of the assignment or sublease and any related terms or agreements.

Upon a Qualified Assignment to a Qualified Tenant, the Qualified Tenant=s rights under the Lease and right to possession thereunder shall not be disturbed by the exercise of any right or remedy provided for in the Mortgage provided that Qualified Tenant continues at all times thereafter to comply with the terms and conditions of this Agreement and the Lease.

7. Tenant agrees, at the election of Lender or any other holder of the Mortgage, or anyone claiming by, through or under them, to attorn to such holder or anyone claiming by, through or under such holder.

8. If Lender or any other holder of the Mortgage elects at any time to have Landlord=s or Tenant=s interest in the Lease superior to the interest of any mortgage, lien or security interest securing Landlord=s obligations to Lender and given express written notice to Tenant to that effect, then the Lease shall be deemed to be superior thereto to the extent provided in such notice, whether this Lease was executed before or after the Mortgage or any other agreement or instrument favoring Lender or before or after any advance made on the security thereof.

9. Limitation of Liability. Lender shall not, either by virtue of the Mortgage or this Agreement, be or become a mortgagee-in-possession or be or become subject to any liability or obligation under the Lease or otherwise until Lender shall have acquired the interests of Landlord in the Premises, by foreclosure or otherwise as set forth in the Loan Documents, and then such liability or obligation of Lender under the Lease shall extend only to those liabilities or obligations accruing subsequent to the date that Lender has acquired the interests of Landlord in the Premises as modified by the terms of this Agreement. In addition, upon such acquisition, Lender shall have no obligation, nor incur any liability, beyond Lender=s then equity interest, if any, in the Premises. Furthermore, in the event of the assignment or transfer of the interests of Lender under this Agreement, all obligations and liabilities of Lender under this Agreement shall terminate and, thereupon, all such obligations and liabilities shall be the sole responsibility of the party to whom Lender=s interests are assigned or transferred.

10. Notice. Any notice, demand, statement, request, consent or other communication made hereunder shall be in writing and delivered (i) personally, (ii) mailed by certified or registered mail, postage prepaid, return receipt requested or (iii) by depositing the same with Federal Express or another reputable private courier service, postage prepaid, for next business day delivery, to the parties at their addresses first set forth above and shall be deemed given when delivered personally, or four (4) business days after being placed in the United States mail, if sent by certified or registered mail, or one (1) business day after deposit with such private courier service. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required shall be deemed to be receipt of the notice, demand or request sent. By giving to the other parties hereto at least fifteen (15) days' prior written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses to any other address within the United States of America. Tenant agrees to send a copy of any notice or statement under the Lease to Lender at the same time such notice or statement is sent to Landlord.

11. Miscellaneous.

(a) In the event of any conflict or inconsistency between the provisions of this Agreement and the Lease, the provisions of this Agreement shall govern; provided, however, that the foregoing shall in no way diminish Landlord=s obligations or liability to Tenant under the Lease. Lender=s enforcement of any provisions of this Agreement or the

Mortgage shall not entitle Tenant to claim any interference with the contractual relations between Landlord or Tenant or give rise to any claim or defense against Lender with respect to the enforcement of such provisions.

(b) Tenant agrees that this Agreement satisfies any condition or requirement in the Lease relating to the granting of a non-disturbance agreement.

(c) Tenant will not subordinate the Lease to the lien of any mortgage or deed of trust other than the Mortgage for so long as the Mortgage shall remain a lien on the Property.

(d) This Agreement shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the interest of Tenant under this Agreement may not be assigned or transferred without the prior written consent of Lender as set forth supra.

(e) The captions appearing under the paragraph number designations of this Agreement are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.

(f) If any portion or portions of this Agreement shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State or Commonwealth in which the Property is located without regard to the conflicts of law provisions, except to the extent that the applicability of any of such laws is now or hereafter preempted by Federal law, in which case such Federal law shall so govern and be controlling.

(h) This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but all of which, collectively and separately, shall constitute one and the same agreement.

(i) This Agreement cannot be altered, modified, amended, waived, extended, changed, discharged or terminated orally or by any act on the part of Tenant, Landlord or Lender but only by an agreement in writing signed by the party against whom enforcement of any alteration, modification, amendment, waiver, extension, change, discharge or termination is sought.

12. Insurance Proceeds: The proceeds (the "Insurance Proceeds") of all policies of insurance required by the Mortgage excepting liability insurance covering the Property maintained by Landlord and all awards or other compensation (the "Condemnation Awards") made for any taking of any part of the Property shall be applied in the manner specified in the Priority Mortgage subject to the rights of the Lender; and the Subordinate Party shall assign and release unto the Lender all right, title, interest or claim, if any, of, in and to the Insurance Proceeds and Condemnation Awards for application in the manner aforesaid. In the event that after such application of the Insurance Proceeds and Condemnation Awards in the manner provided in the Priority Mortgage, any balance remains, then such excess shall be paid to the Subordinate Party (to the extent provided in the Subordinate Mortgage) to be applied on account of the indebtedness secured by the Subordinate Mortgage, subject to the rights, if any, of the Borrower.

IN WITNESS WHEREOF, the parties have executed this Agreement, with the intent to be legally bound, as of the dates set forth adjacent to their signatures below to be effective as of the date of the Mortgage.

Date: July 12, 2005

TENANT: Cyoptics, Inc., a
Delware Corporation

By: /s/ Ettore J. Coringrato
Name: Ettore J. Coringrato
Title: President

HAMILTON TEK PARTNERS, L.P.

Date: July 13, 2005

LANDLORD

BY: WOOD STREET REALTY DEVELOPMENT CO
BY: ANTHEM PARTNERS, LLC

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]

Date: , 2005

SOVERIGN BANK

By: /s/ Richard T. Markiewicz
Name: Richard T. Markiewicz
Title: SVP

Ludrof, John

From: Riley, Matt
Sent: Monday, January 22, 2007 2:51 PM
To: Ludrof, John
Subject: FW: CyOptics Tek Park lease renewal

fyi

From: Larry Stuardi [mailto:Istuardi@mrargroup.net]
Sent: Thursday, September 28, 2006 9:20 PM
To: Riley, Matt
Cc: Coringrato, Ed; Dormer, Jim; Mike Wojewodka; bhenderson@flynnc.com
Subject: RE: CyOptics Tek Park lease renewal

Matt, may this e-mail serve as confirmation of receipt of notice to renew. We will continue to work towards defining responsibilities and costs associated with both Landlord's and Cyoptic's obligations as defined (or not) under the current lease. I have presented a draft lease form which, once terms are finalized, we would hope to migrate to effective April 1, 2007, recognizing that the current lease does not truly reflect a realistic structure for Cyoptic's tenancy at TEK Park.

We value the relationship we have been able to develop over the past 18 months, and appreciate the co-operation in helping to evolve TEK Park into a premier technology campus. All indications are that we are on our way to making TEK the success we know it can be.

Lawrence J. Stuardi
MRA Group
120 W. Germantown Pike
Suite 200
Plymouth Meeting, PA 18942
www.mrargroup.net
610-238-0500

From: Riley, Matt [mailto:mriley@cyoptics.com]
Sent: Thu 9/28/2006 6:20 PM
To: Larry Stuardi
Cc: Coringrato, Ed; Dormer, Jim
Subject: CyOptics Tek Park lease renewal

Larry-confirming our conversation today, below is CyOptics formal notification of intent to exercise renewal option two per the current lease agreement. matt

Larry,

Per the current lease agreement between MRA and CyOptics, Inc dated April 29, 2005 for space in the Tek Park Campus located at 9999 Hamilton Blvd, Breinigsville, PA 18031, CyOptics wishes to exercise renewal option two as defined in Section 6(c) of the agreement and printed below.

(c) **Renewal Option Two:** Five (5), two (2) year renewal options, each exercisable on six (6) months advance written notice, on the same terms set forth above except that Rent, Utilities, and Operating Expenses payable during such renewal term(s) shall be as follows:

Option Term One: Annual Base Rent
\$10.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Two:
\$10.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Three:

\$11.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Four:

\$11.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Five:

\$12.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

The foregoing notwithstanding, Tenant shall have the right to convert the third (3rd), fourth (4th), and fifth (5th) two (2) year renewal options set forth above to one (1) year options, upon providing Landlord twelve (12) months notice prior to exercising each such one (1) year option.

Upon Tenant's conversion of either of the third (3rd), fourth (4th), or fifth (5th) options to a one (1) year option, each successive option term shall thereafter automatically be converted to a one (1) year option.

Please confirm receipt and acceptance of this formal notification by directing your written response to Matt Riley, CyOptics CFO, located on the Tel Park Campus. Please feel free to direct any questions to Matt on 484-397-2806.



120 West Germantown Pike, Suite 200
Plymouth Meeting, Pennsylvania, 19462
P. 610.238.0500
F. 610.238.0140
www.mra.group

December 8, 2008

Certified Mail

Matt Riley, CFO
CyOptics, Inc.
Two Tek Park
9999 Hamilton Blvd
Breinigsville, PA 18031

Re: Exercise of Renewal Option

Dear Mr. Riley:

By your September 24, 2008 e-mail to Larry Stuardi (copy attached), you provided notice that CyOptics was exercising the second of five (5), two (2) year option terms (Option Term Two pursuant to Section 6(c)) of the CyOptics lease dated April 29, 2005).

This correspondence confirms the Landlord's receipt and acceptance of CyOptics, Inc.'s notice to exercise the aforementioned option, but please note that the renewal term commences April 1, 2009 and expires March 31, 2011.

Sincerely,

MRA Realty, Inc.,
As Agent for Hamilton Tek Partners, LP

/s/ Allan Freedman

Allan Freedman

Lease Administration

Enclosure

From: Riley, Matt [mriley@cyoptics.com]

Sent: Wednesday, September 24, 2008 5:08 PM

To: Larry Stuardi

Cc: Coringrato, Ed

Subject: CyOptics Lease Advance Notice

Larry,

Per the current lease agreement between MRA and CyOptics, Inc dated April 29, 2005 for space in the Tek Park Campus located at 9999 Hamilton Blvd, Breinigsville, PA 18031, this serves as advance notice that CyOptics wishes to exercise renewal option term two as defined in Section 6(c) of the agreement and printed below effective with two year term beginning April 30, 2009.

(c) **Renewal Option Two:** Five (5), two (2) year renewal options, each exercisable on six (6) months advance written notice, on the same terms set forth above except that Rent, Utilities, and Operating Expenses payable during such renewal term(s) shall be as follows:

Option Term One: Annual Base Rent

\$10.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Two (effective April 30, 2009)

\$10.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Three:

\$11.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Four:

\$11.50/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

Option Term Five:

\$12.00/sq. ft. NNN, plus Tenant's Proportionate Share of Property Operating Costs

The foregoing notwithstanding, Tenant shall have the right to convert the third (3rd), fourth (4th), and fifth (5th) two (2) year renewal options set forth above to one (1) year options, upon providing Landlord twelve (12) months notice prior to exercising each such one (1) year option. Upon Tenant's conversion of either of the third (3rd), fourth (4th), or fifth (5th) options to a one (1) year option, each successive option term shall thereafter automatically be converted to a one (1) year option.

Please confirm receipt and acceptance of this formal advance notification by directing your written response to Matt Riley, CyOptics CFO, located on the Tek Park Campus. Please feel free to direct any questions to me on 484-397-2806. Best wishes. Matt



March 26, 2009

Mr. Ed Coringrato
Cyoptics, Inc.
Two Tek Park
9999 Hamilton Boulevard
Breinigsville, PA 18031

HAND DELIVERED

RE: Lease Agreement made by and between Hamilton TEK Partners, L.P. ("Landlord") and Cyoptics, Inc. ("Tenant") for Premises known as Two TEK Park, located at 9999 Hamilton Boulevard, Breinigsville PA 18031

Dear Mr. Coringrato:

Pursuant to the terms of the above referenced Lease and your request to exercise the second of five, two-year option terms, we are notifying you of the terms and conditions for the renewal term commencing April 1, 2009 and expiring on March 31, 2011, as follows:

Annual Base Rent will be \$10.50 per square foot for 103,000 square feet of leased premises, which equals \$1,081,500.00 per year, payable in equal monthly installments of \$90,125.00.

Hamilton Tek Partners has completed the campus building operating budget for Tek Park for the Calendar Year 2009. Tek Park's Operating Expenses for 2009 are projected to be \$4.93 per square foot. Your monthly CAM expense will continue to be \$50,000.00 per month.

With regard to your 2009 utility expenses, we have increased your monthly expense to \$200,000 per month from April 1, 2009 through December 31, 2009 in an effort to reduce the amount of Cyoptic's shortfall at the end of the year. The difference of \$50,000 for January, February and March, 2009, has already been included in the \$200,000.00 per month utility expenses.

To reconcile the 2008 expenses, we have calculated Cyoptic's share as follows:

	Actuals 2008		Paid	Difference
Utilities	\$ 2,255,491.55		\$ 1,800,000.00	\$ 455,491.55
CAM	\$ 508,418.17	*	\$ 600,000.00	\$ (91,581.83)
				\$ 363,909.72

* @ \$4.94 actuals

Radio Components	\$ (850.00)
Cost for Services (CUP)	\$ (30,000.00)
UPS batteries	\$ (5,000.00)
Total Due Hamilton Tek Partners	\$ 328,059.72

Effective April 1, 2008, please remit the one time payment of \$328,059.72 or in the alternative, you may divide that amount into nine equal monthly payments of \$36,451.08.

In summary, the following amounts are due to Hamilton Tek Partners:

Monthly Summary Effective April 1, 2009

2008 Utility Adjustment	\$	36,451.08
2009 Utilities	\$	200,000.00
CAM 2009	\$	50,000.00
TOTAL DUE MONTHLY	\$	286,451.08

If you have questions please do not hesitate to contact me at (484) 397-4021.

Respectfully,
MRA Realty, Inc. as Agent on behalf of

Hamilton TEK Partners, LP

/s/ Hank Merrill

Hank Merrill

Director of Operations



3 Village Road, Suite 200
Horsham, Pennsylvania 19044
P.215.449.2442
F.215.449.2443
www.mragroup.net

October 19, 2010

CERTIFIED MAIL # 7010 1670 0002 4976 7036

Mr. Matt Riley
CFO, CyOptics, Inc.
9999 Hamilton Boulevard
Breinigsville, PA 18031

RE: Lease Renewal Option Three

Dear Mr. Riley:

We are in receipt of your letter dated September 27, 2010 in which you provided notice that CyOptics, Inc. is exercising its third of five (5), two (2) year renewal options pursuant to Section 6(c), Option Term Three (3), of the CyOptics lease dated April 29, 2005.

This correspondence confirms the Landlord's receipt and acceptance of CyOptics' notice to exercise the aforementioned option. Please note that the renewal term commences April 1, 2011 and expires March 31, 2013. According to the terms of the Lease, the Annual Base Rent will be increased to \$11.00 per square foot, which equals \$1,133,000.00 per year, payable in monthly installments of \$94,416.67.

As always, please feel free to contact me if you have any questions or comments.

Respectfully,
MRA Realty, Inc. as Agent on behalf of
Hamilton TEK Partners, LP

/s/ Mike Wojewodka

Mike Wojewodka

Vice President

Copy to:
Ed Coringrato, CyOptics, Inc.
Larry Stuardi, Hamilton TEK Partners, LP

AMENDMENT TO LEASE

This **AMENDMENT TO LEASE** ("Amendment") is made and entered into this 12th day of November, 2010, but effective as of November, 1, 2010 (the "Effective Date") by and between **HAMILTON TEK PARTNERS, L.P.**, a Pennsylvania limited partnership and successor to TriQuint Optoelectronics, Inc., hereinafter referred to as "Landlord" and **CYOPTICS, INC.**, a Delaware corporation hereinafter referred to as "Tenant".

WHEREAS. Landlord's predecessor and Tenant entered a certain Lease Agreement dated April 29, 2005, as amended by those certain letter agreements dated July 3, 2007 and March 26, 2009 (the "Lease") pursuant to which Tenant has leased certain premises as more fully described in the Lease; and

WHEREAS. Landlord and Tenant desire to amend the terms of the Lease.

NOW, THEREFORE, in consideration of the promises, covenants and conditions herein contained, and intending to be legally bound hereby, Landlord and Tenant agree that the Lease shall be and the same is hereby amended as follows.

1. **Incorporation of Recitals.** The recitals set forth above, the Lease referred to therein and the exhibits attached hereto are hereby incorporated herein by reference as if set forth in full in the body of this Amendment. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Lease.
2. **Premises.** As of the Effective Date hereof, Landlord and Tenant hereby expressly agree and acknowledge that the Premises consist of 103,000 rentable square feet as more fully shown on Exhibit "A" attached hereto and made a part hereof. Notwithstanding any other provision herein of the Lease to the contrary, the rentable square feet of the Premises shall not be re-measured or re-determined without the express mutual agreement in writing of Landlord and Tenant.
3. **Term/Renewals.** As of the Effective Date hereof, the Lease is hereby extended for an additional seven (7) year term and the new Termination Date of the Lease shall be 11:59pm Eastern Standard Time on October 31, 2017. The Renewal Terms of the Lease shall be two (2) additional five (5) year periods commencing on the calendar day immediately following the new Termination Date. Section 6 of the Lease is hereby amended by removing any references to the renewal options in Sections 6(b) and 6(c) and replacing the same with the Renewal Terms specified herein above. The provisions of Section 6(d), (e) and (f) are reaffirmed and ratified in full. Notwithstanding any other provision herein or the Lease to the contrary, Tenant's Proportionate Share shall not be re-measured or re-determined without the express mutual agreement in writing of Landlord and Tenant. The parties further agree and acknowledge that Section 5 of the Lease is deleted and deemed to be terminated prior to the Effective Date hereof.
4. **Rent.** During the new Initial Term of the Lease, and the Renewal Terms (If exercised by Tenant), the Annual Base Rent for the Premises shall be in accordance with the following schedule:

Lease Year 1 and 2 (11/1/10-10/31/12) \$10.50 per rentable square foot
Lease Year 3 and 4 (11/1/12-10/31/14) \$11.00 per rentable square foot
Lease Year 5 and 6 (11/1/14-10/31/16) \$11.50 per rentable square foot
Lease Year 7 (11/1/16-10/31/17) \$12.00 per rentable square foot

The Annual Base Rent shall increase from year to year in any Renewal Term at a rate equal to two and one-half percent (2.5%).

5. **New Lease Reference Terms.** For all purposes under the Lease, as amended hereby, Landlord's address as of the Effective Date shall be:

3 Village Road
Suite 200
Horsham PA, 19044.
Attention: Managing Partner
6. **Binding Effect.** Except as expressly amended hereby, the Lease remains in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this agreement on the date first above written.

LANDLORD:

HAMILTON TEK PARTNERS, L.P., by its
Managing General Partner, Anthem Partners, LLC

WITNESS.

/S/ [ILLEGIBLE]

By: /S/ Lawrence J. Stuardi

Name: Lawrence J. Stuardi

Title: Managing Member

TENANT:

CYOPTICS, INC.

ATTEST:

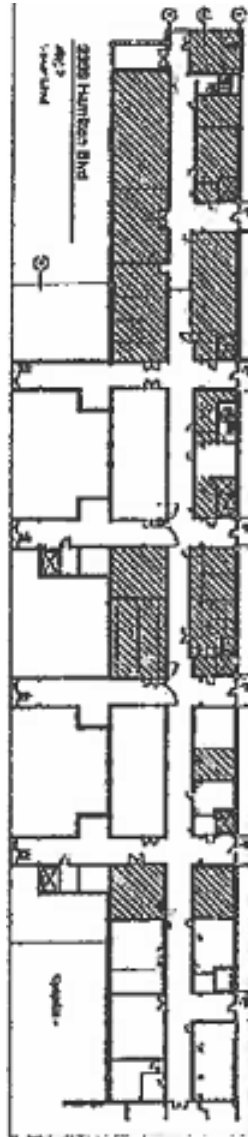
/S/ [ILLEGIBLE]

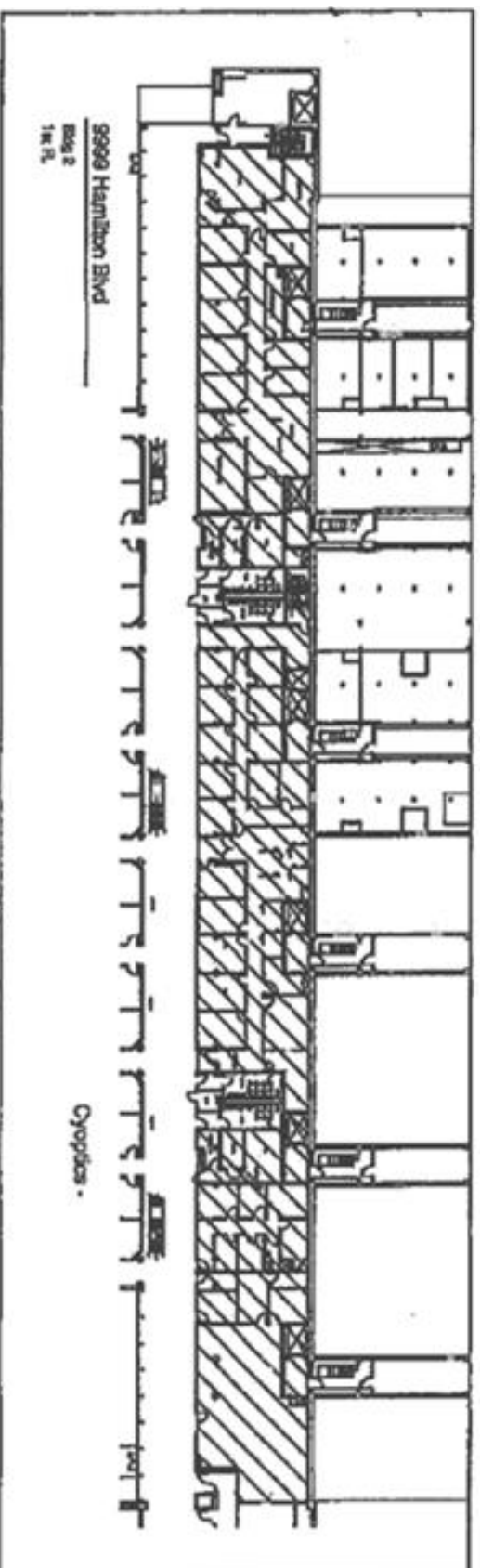
By: /S/ Ed J. Coringrato

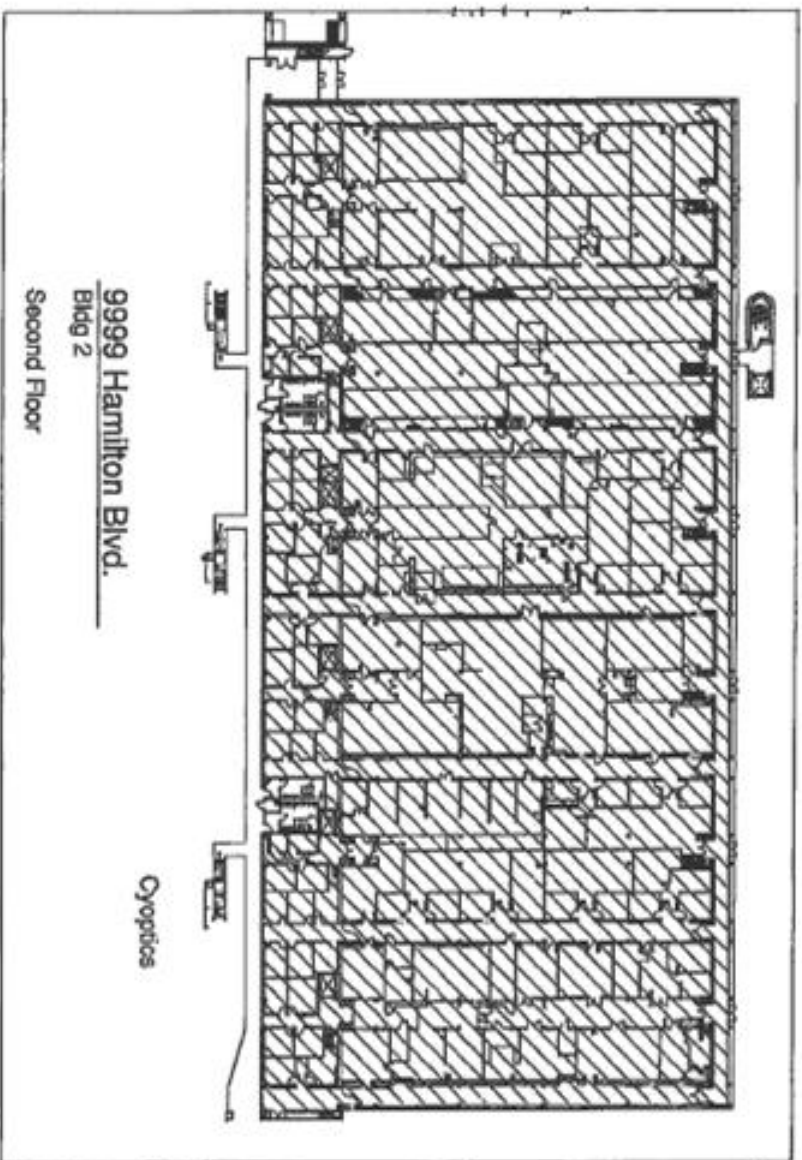
Name: Ed J. Coringrato

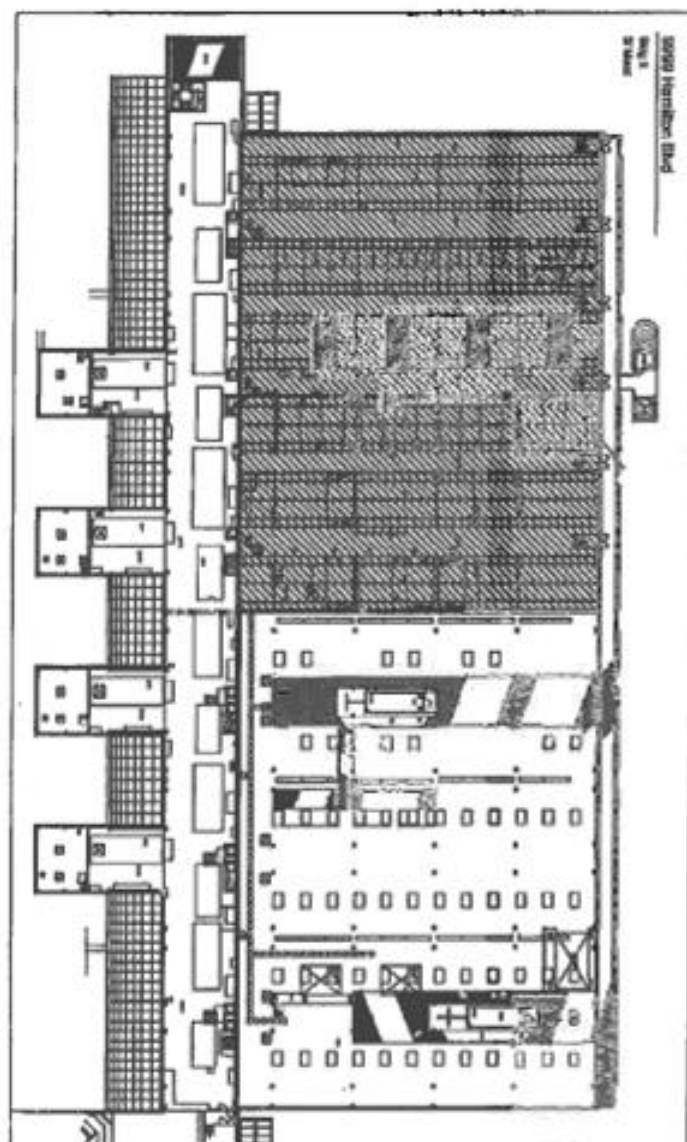
Title: CEO

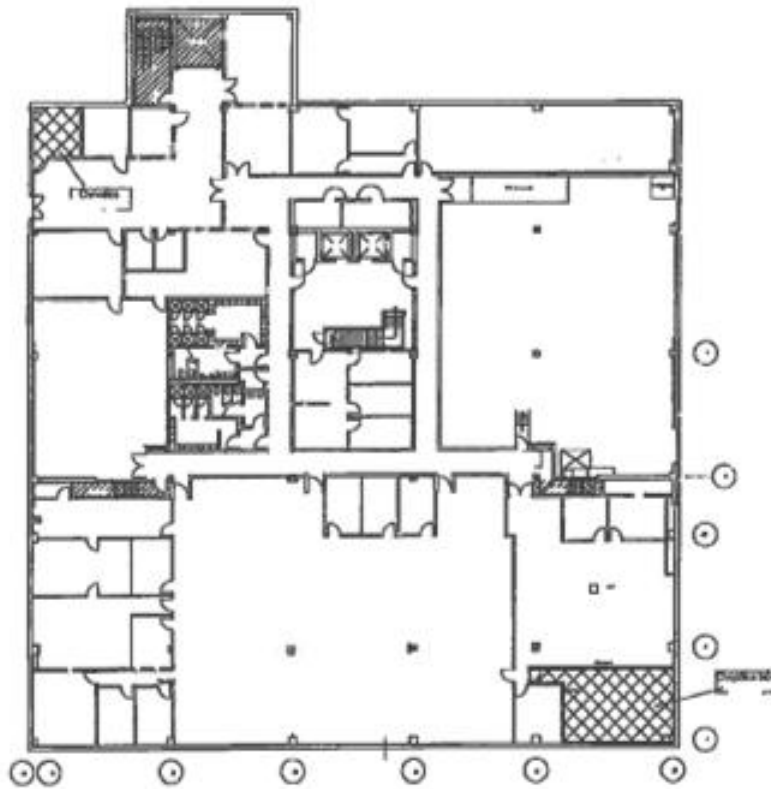
Exhibit "A"





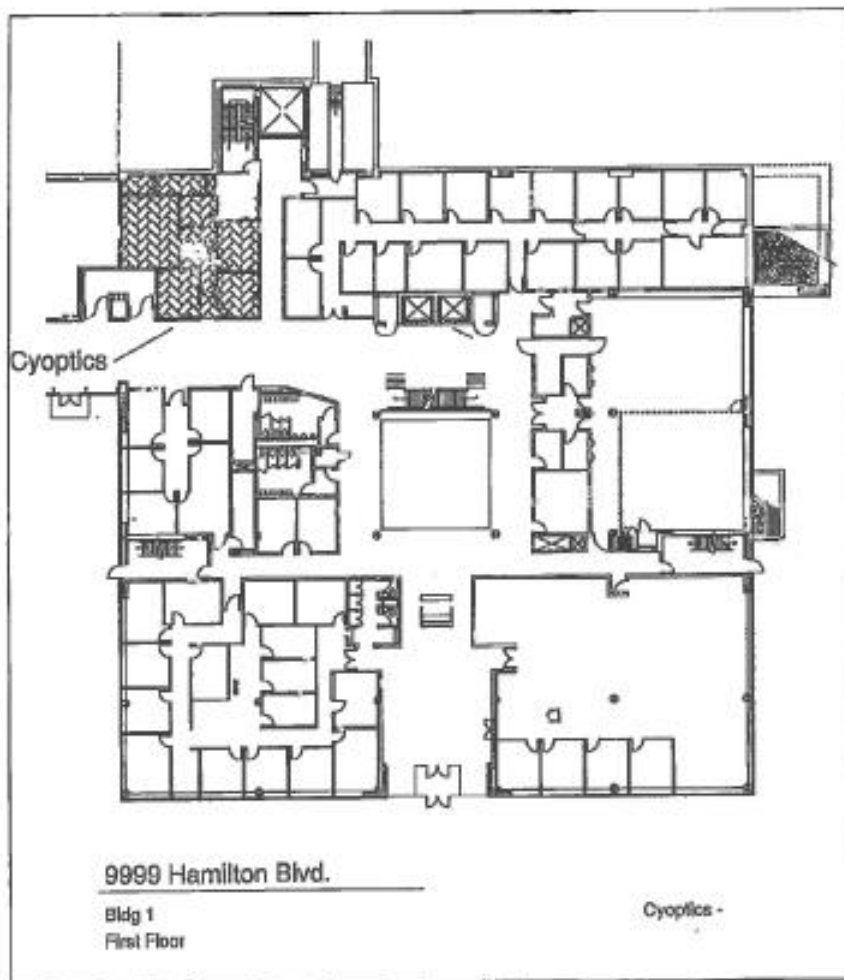


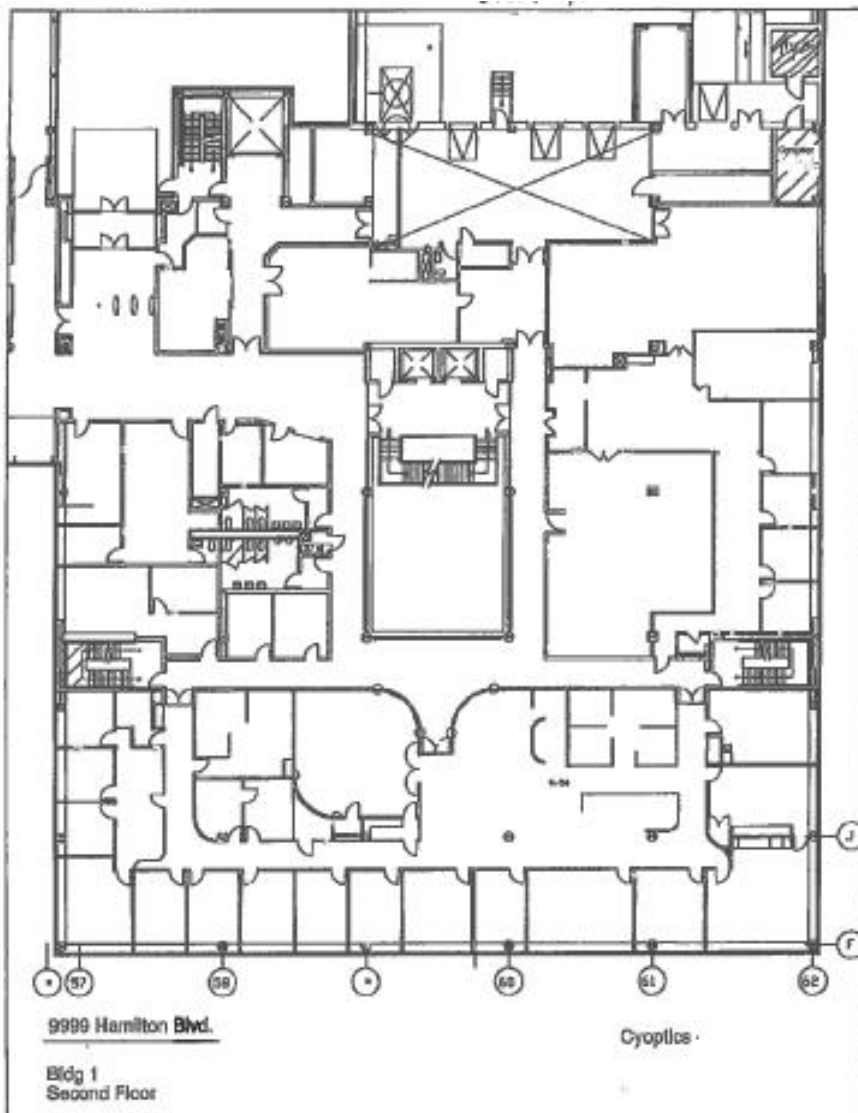




9999 Hamilton Drive

Bldg 1
Lower Level





FIRST ADDENDUM TO AGREEMENT OF LEASE

ADDENDUM dated March 30, 2011, attached to and forming part of the Agreement of Lease dated April 29, 2005 ("Lease") between **HAMILTON TEK PARTNERS, L.P.**, a Pennsylvania Limited Partnership ("Landlord"), and **CYOPTICS, INC.**, a Delaware corporation ("Tenant").

WHEREAS, Landlord's predecessor and Tenant entered into a certain Lease Agreement dated April 29, 2005, as amended by those certain letter agreements dated July 3, 2007 and March 26, 2009, and was further amended by that certain Amendment to Lease dated November 12, 2010, collectively (the "Lease"), pursuant to which Tenant has leased certain premises as more fully described in the Lease; and

WHEREAS, Tenant desires to lease a portion of 3 TEK Building, a 57,806 rentable square foot building as identified on Exhibit "A" attached hereto ("3 TEK"), with said portion consisting of 14,379 rentable square feet, as shown on the floor plan attached hereto as Exhibit "B" and made a part hereto ("3 TEK Expansion Space"); and

WHEREAS, except for those terms specifically identified herein in this FIRST ADDENDUM TO AGREEMENT OF LEASE which shall pertain exclusively to the 3 TEK Expansion Space, Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the 3 TEK Expansion Space under all terms and conditions of the Lease.

NOW, THEREFORE, Landlord and Tenant, intending to be legally bound hereby, agree as follows:

- Term:** The Term associated with the 3 TEK Expansion Space shall be forty (40) months, commencing April 1, 2011 and expiring on July 31, 2014 ("Expansion Space Term").
- Renewal Term:** Tenant shall have one (1) renewal option of three (3) years, per the terms and conditions of the Lease Agreement, as amended, except that the Annual Base Rent shall be adjusted as noted herein below ("3 TEK Expansion Space Renewal Term").
- Improvement Allowance:** Landlord shall provide Tenant an Improvement Allowance of Fifty Thousand (\$50,000.00) Dollars ("Improvement Allowance") to be applied towards the cost of design and improvements of the 3 TEK Expansion Space. Tenant shall be solely responsible for any costs associated with the design or construction which exceed the Improvement Allowance. The 3 TEK Expansion Space will be delivered in its "As-Is" condition as of the date hereof. Landlord shall be deemed to have permitted all such improvements pursuant to Section 8 of the Lease.
- Annual Minimum Rent:** The Annual Base Rent for the 3 TEK Expansion Space to be paid by Tenant shall be calculated in accordance with the following:

3 TEK EXPANSION SPACE TERM	3 TEK EXPANSION SPACE RENTABLE SF	3 TEK EXPANSION SPACE BASE RENT PER SF	3 TEK EXPANSION SPACE ANNUAL BASE RENT	3 TEK EXPANSION SPACE MONTHLY BASE RENT
4/1/2011	ANNUAL BASE RENT IS ABATED*			
08/01/11 – 07/31/12	7,190	\$ 15.00	\$ 107,850.00	\$ 8,987.50
08/01/12 – 07/31/13	7,190	\$ 15.50	\$ 111,445.00	\$ 9,287.08
08/01/13 – 07/31/14	14,379	\$ 16.00	\$ 230,064.00	\$ 19,172.00

The Annual Base Rent shall increase from year to year in the 3TEK Expansion Space Renewal Term at a rate equal to two and one-half percent (2.5%).

- Operating Expense:** An annual amount equal to Tenant's Proportionate Share of 3 TEK, which is 24.87% percent (determined by dividing the rentable square feet of the 3 TEK Expansion Space as identified above by the rentable square feet of 3 TEK as identified above) multiplied by the annual Building Operating Expense as further defined in the Lease; except that, during the period of April 1, 2011 through March 31, 2012, Tenant shall be obligated to pay an amount equal to Tenant's Proportionate Share of 3 TEK, which shall be 12.44% (which is determined by dividing one-half (1/2) of the rentable square feet of the 3 TEK Expansion Space as identified above by the rentable square feet of 3 TEK as identified above) multiplied by the annual Building Operating Expense, as further defined in the Lease. Landlord and Tenant agree and acknowledge that

Tenant’s Proportionate Share and the rentable square feet of the Premises and 3TEK Expansion Space shall not be re-determined without the mutual written agreement of both Landlord and Tenant.

6. In the event of any inconsistencies between the terms of this Addendum and the Lease, this Addendum shall control.

IN WITNESS WHEREOF, each party hereto has caused these presents to be executed the day and year first above written.

AS TO LANDLORD:
HAMILTON TEK PARTNERS, L.P.
By its managing general partner,
ANTHEM PARTNERS, LLC.

AS TO TENANT:
CYOPTICS, INC.

BY: /s/ Lawrence J. Stuardi

Lawrence J. Stuardi, its managing member

BY: /s/ Ed. J Coringrato, CEO

Ed. J Coringrato, CEO

3 TEK

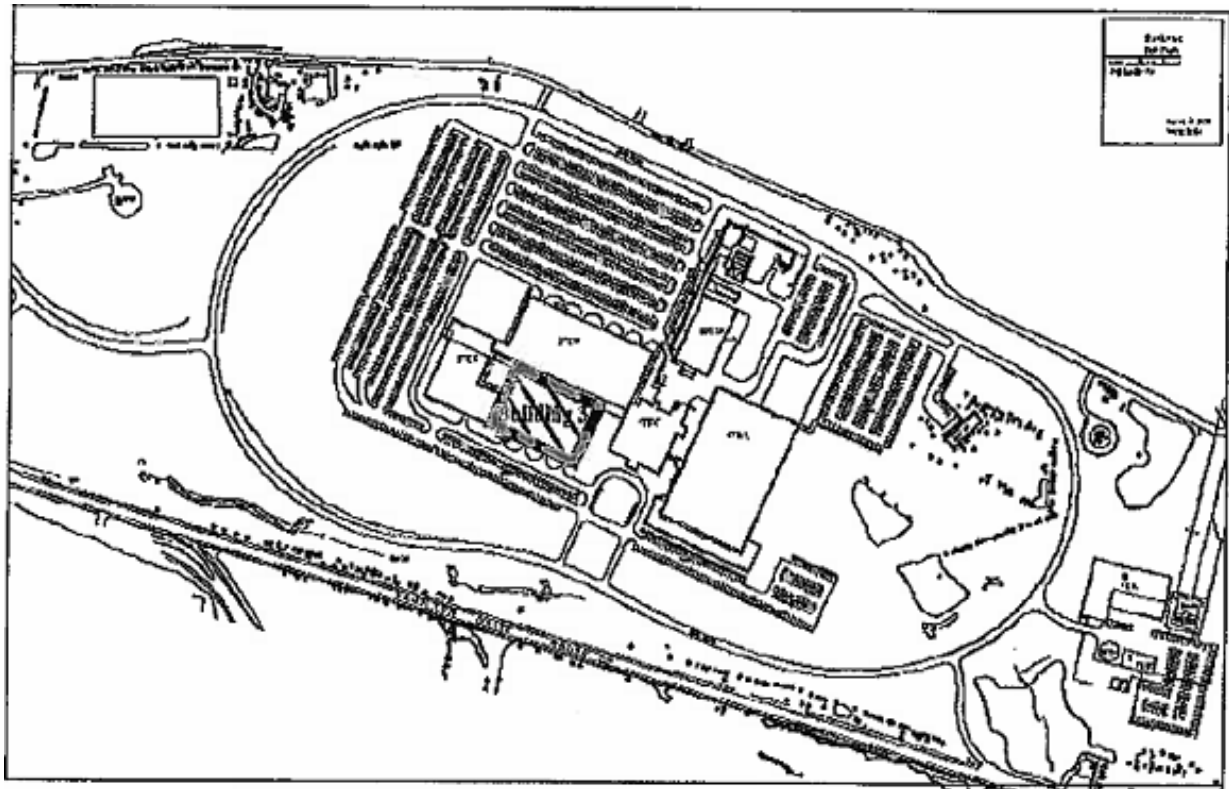
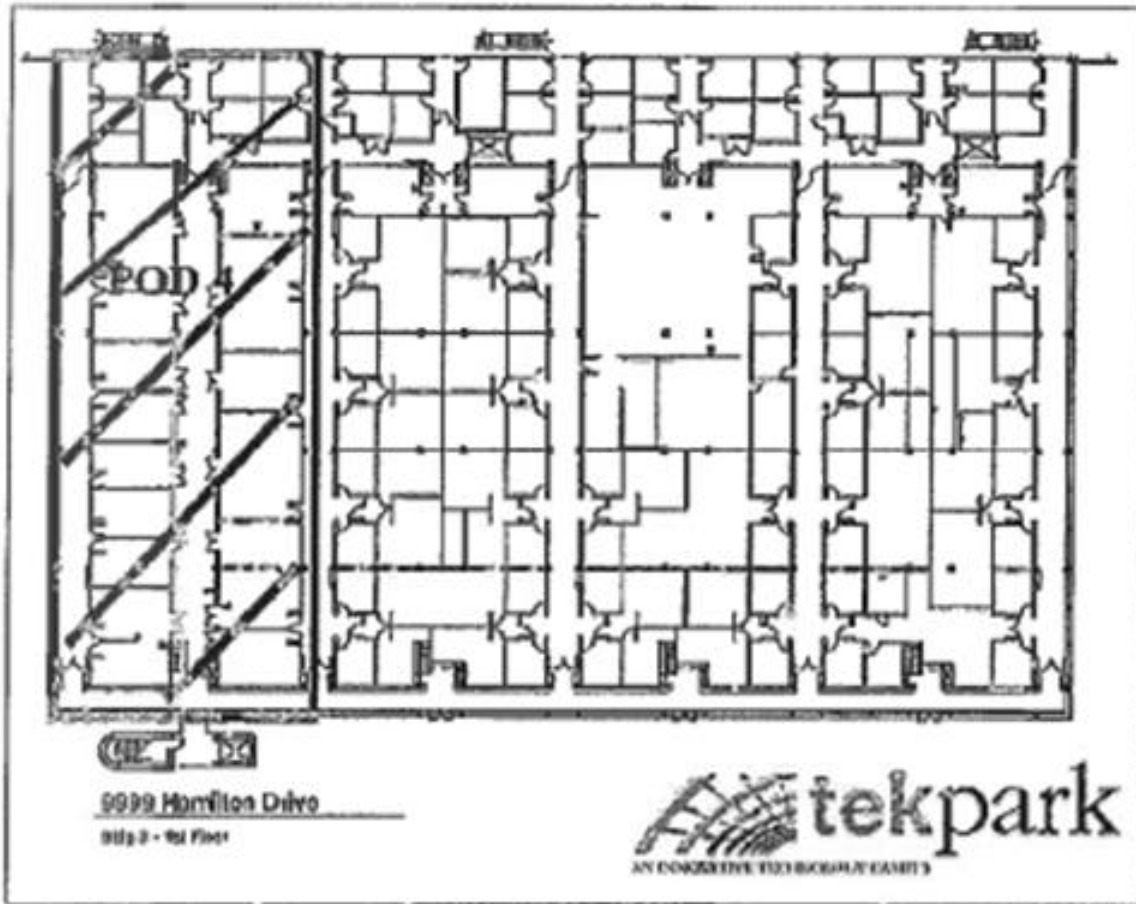


Exhibit "B"

3 TEK Expansion Space



SECOND ADDENDUM TO AGREEMENT OF LEASE

THIS SECOND ADDENDUM TO AGREEMENT OF LEASE (this "Addendum") is dated effective March 1, 2013 between **HAMILTON 9999 ASSOCIATES, L.P.** a Pennsylvania limited partnership ("Landlord"), and **CYOPTICS, INC.,** a Delaware corporation ("Tenant").

WHEREAS, Landlord is the owner of a multi-tenant technology campus located at 9999 Hamilton Boulevard, Breinigsville, Upper Macungie Township, Lehigh County, Pennsylvania (the "Campus"), and acquired the Campus from Hamilton Tek Partners, LP ("Prior Owner");

WHEREAS, Prior Owner, Landlord's predecessor, and Tenant entered into a certain Lease Agreement dated April 29, 2005, as amended by those certain letter agreements dated July 3, 2007, March 26, 2009 and November 12, 2010 and further amended by that certain Amendment to Lease dated March 30, 2011 (as amended, the "Lease"), pursuant to which Tenant presently leases from Landlord the following space within the Campus (collectively, the "Original Space"): (a) a portion of a building in the Campus known as 1 TEK Building, a 60,708 rentable square foot building ("1 TEK"), with said portion consisting of 2,976 rentable square feet as more particularly described in the Lease, (b) 100,024 rentable square feet of space in a building in the Campus known as 2 TEK Building as more particularly described in the Lease, and (c) 14,298 rentable square feet of space in a building in the Campus known as 3 TEK Building as more particularly described in the Lease;

WHEREAS, Tenant now desires to lease from Landlord all of the rentable square footage of a building in the Campus known as 31 TEK Building, a 4,492 rentable square foot building as shown on the floor plan attached hereto as Exhibit "A" and made a part hereof (the "31 TEK Expansion Space"); and

WHEREAS, initially capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Lease.

NOW, THEREFORE, Landlord and Tenant, intending to be legally bound hereby, agree as follows:

1. Lease of the 31 TEK Expansion Space. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the 31 TEK Expansion Space on the terms and conditions of the Lease, as modified hereby, accordingly, for the 31 TEK Expansion Space Term (as defined below). Landlord shall deliver to Tenant possession of the 31 TEK Expansion Space on April 1, 2013.
2. Term of the 31 TEK Expansion Space: The term of the Lease with respect to the 31 TEK Expansion Space shall commence on April 1, 2013 and expire on March 31, 2016.
3. Renewal Term: Tenant shall have one (1) option to renew the term of the Lease with respect to the 31 TEK Expansion Space only (the "31 TEK Expansion Space Renewal Option") for an additional period commencing on April 1, 2016 and expiring on March 31, 2019 (the "31 TEK Expansion Space Renewal Term") by delivering written notice of the exercise of the 31 TEK Expansion Space Renewal Option to Landlord on or before September 30, 2015. If Tenant timely exercises the 31 TEK Expansion Space Renewal Option, the term of the Lease with respect to the 31 TEK Expansion Space only shall be extended for the 31 TEK Expansion Space Renewal Term on all of the terms and conditions of the Lease, as modified hereby, except that the Annual Base Rent for the 31 TEK Expansion Space during the 31 TEK Expansion Space Renewal Term shall be adjusted as noted herein below. Tenant's right to renew the term of the Lease for the 31 TEK Expansion Space under this paragraph shall terminate and be of no further force and effect if (a) the Lease or Tenant's right to possession of the Original Space or the 31 TEK Expansion Space is terminated, (b) Tenant assigns any of its interest in the Lease to an entity which is not an affiliate of Tenant or sublets any portion of the 31 TEK Expansion Space, or (c) Tenant fails to timely exercise its option under this paragraph, time being of the essence with respect to Tenant's exercise thereof.
4. Landlord Improvements to the 31 TEK Expansion Space: Landlord shall provide to Tenant possession of the 31 TEK Expansion Space in its "As-Is" condition, except Landlord shall provide Tenant a complete cleaning of all bird related debris on the outside of the 31 TEK Expansion Space prior to Tenant's occupancy thereof. All other costs associated with the space improvements of the 31 TEK Expansion Space are the sole responsibility of Tenant.
5. Annual Minimum Rent for the 31 TEK Expansion Space: The Annual Base Rent for the 31 TEK Expansion Space to be paid by Tenant as and when due pursuant to the Lease shall be calculated in accordance with the following:

TERM	RENTABLE SF	BASE RENT PER SF	ANNUAL BASE RENT	MONTHLY BASE RENT
4/1/2013	4,492	\$5.35	\$24,032.20	\$2,002.68
31 TEK Expansion Space Renewal Term (if timely exercise)	4,492	\$5.35	\$24,032.20	\$2,002.68

6. Operating Expenses for the 31 TEK Expansion Space: Tenant shall be obligated to pay as and when due pursuant to the Lease an annual amount equal to Tenant's Proportionate Share of 31 TEK, which is 100% percent (determined by dividing the rentable square feet of the 31 TEK Expansion Space as identified above by the rentable square feet of 31 TEK as identified above), multiplied by the annual Building Operating Expense for 31 TEK. Landlord and Tenant agree and acknowledge that Tenant's Proportionate Share and the rentable square feet of the 31 TEK and 31 TEK Expansion Space shall not be re-determined without the mutual written agreement of both Landlord and Tenant.
7. Restoration for the 31 TEK Expansion Space: Tenant may choose to remove racks and concrete partition walls in the open gas cylinder area adjacent to the loading dock. In the event that the racks and concrete partition walls are removed, Tenant is not obligated to return the open gas cylinder area to its original condition when returning the space to the Landlord. All concrete floor areas will be remedied by Tenant to be structurally sound and the surface is to be a smooth and uniform in appearance.
8. Brokerage. Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Addendum. Tenant and Landlord will indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.
9. Ratification. Landlord and Tenant hereby ratify and confirm their respective obligations under the Lease, and each represents and warrants to the other that, to the best of its knowledge, it has no defenses thereto. Additionally, Landlord and Tenant further confirm and ratify that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) neither Landlord nor Tenant to its knowledge has any claims, counterclaims, set-offs or defenses against the other arising out of the Lease or in any way relating thereto.
10. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this Addendum shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of the Lease and the terms of this Addendum, the terms of this Addendum shall prevail. This Addendum constitutes the entire agreement between the parties concerning the subject matter hereof and expressly replaces any prior agreements. This Addendum shall be governed by the laws of the Commonwealth of Pennsylvania. Nothing contained in this Addendum shall affect, alter or otherwise modify the parties' rights and obligations under the Lease with respect to the Original Space.
11. Counterparts. This Addendum may be executed in multiple counterparts, each of which shall be deemed an original and both of which, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused these presents to be executed the day and year first above written.

AS TO LANDLORD:

HAMILTON 9999 ASSOCIATES L.P., a Delaware limited partnership

By: Breinigsville Owners GP LLC, its general partner

By: Tek Park LLC., its member

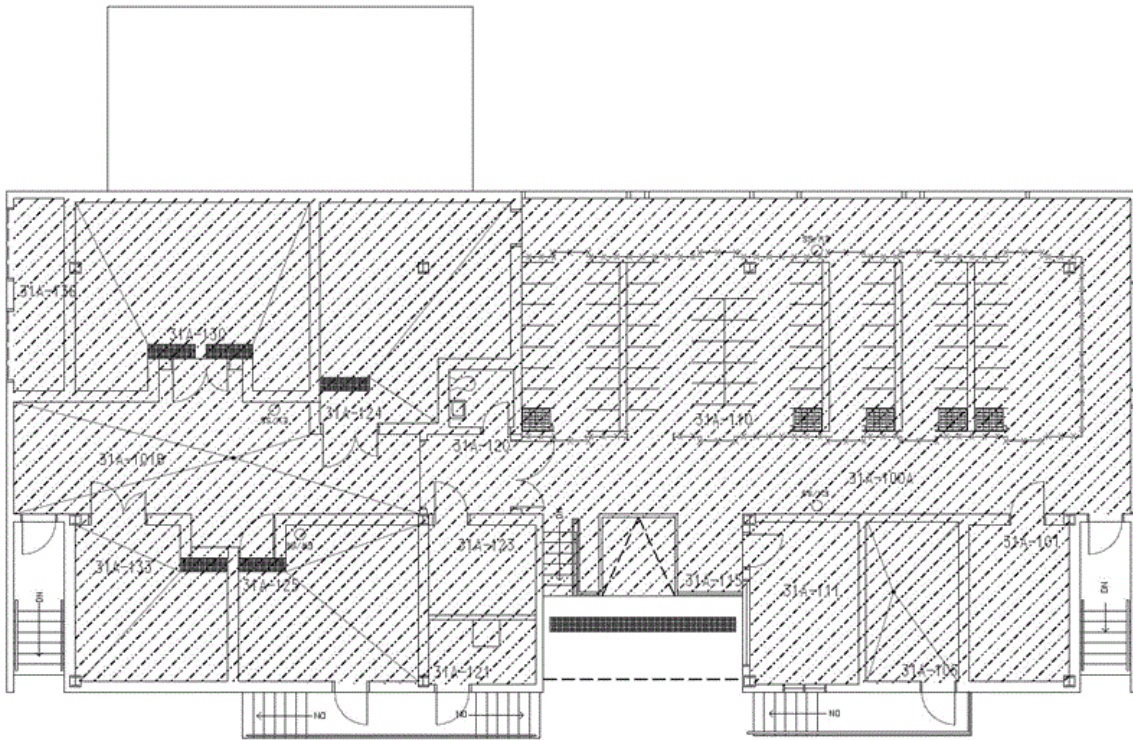
By: /s/ Eli Sternbuch
Eli Sternbuch, Vice President

AS TO TENANT:

CYOPTICS, INC.

BY: /s/Ed J. Coringrato, Jr.
NAME: Ed J. Coringrato, Jr.
TITLE: CEO

Exhibit "A"



SUITE 100
4209 SQ. FT.
RENTABLE

THIRD ADDENDUM TO AGREEMENT OF LEASE

THIS THIRD ADDENDUM TO AGREEMENT OF LEASE (this "Addendum") is dated effective March 1, 2013 between **HAMILTON 9999 ASSOCIATES, L.P.** a Pennsylvania limited partnership ("Landlord"), and **CYOPTICS, INC.,** a Delaware corporation ("Tenant").

WHEREAS, Landlord is the owner of a multi-tenant technology campus located at 9999 Hamilton Boulevard, Breinigsville, Upper Macungie Township, Lehigh County, Pennsylvania (the "Campus"), and acquired the Campus from Hamilton Tek Partners, LP ("Prior Owner");

WHEREAS, Prior Owner, Landlord's predecessor, and Tenant entered into a certain Lease Agreement dated April 29, 2005, as amended by those certain letter agreements dated July 3, 2007, March 26, 2009 and November 12, 2010 and further amended by that certain Amendment to Lease dated March 30, 2011, and Second Addendum to Agreement of Lease dated March 1, 2013, (as amended, the "Lease"), pursuant to which Tenant presently leases from Landlord the following space within the Campus (collectively, the "Original Space"): (a) a portion of a building in the Campus known as 1 TEK Building, a 60,708 rentable square foot building ("1 TEK"), with said portion consisting of 2,976 rentable square feet as more particularly described in the Lease, (b) 100,024 rentable square feet of space in a building in the Campus known as 2 TEK Building as more particularly described in the Lease, (c) 14,298 rentable square feet of space in a building in the Campus known as 3 TEK Building as more particularly described in the Lease, and (d) 4,492 rentable square feet of space in a building in the Campus known as 31 TEK Building as more particularly described in the Lease;

WHEREAS, Tenant now desires to lease from Landlord a portion of 1 TEK consisting of 1,613 rentable square feet, as shown on the floor plan attached hereto as Exhibit "A" and made a part hereof (the "1 TEK Expansion Space"); and

WHEREAS, initially capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Lease.

NOW, THEREFORE, Landlord and Tenant, intending to be legally bound hereby, agree as follows:

1. Lease of the 1 TEK Expansion Space. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the 1 TEK Expansion Space on the terms and conditions of the Lease, as modified hereby, accordingly, for the 1 TEK Expansion Space Term (as defined below). Landlord shall deliver to Tenant possession of the 1 TEK Expansion Space on April 1, 2013.
2. Term of the 1 TEK Expansion Space: The term of the Lease with respect to the 1 TEK Expansion Space shall commence on April 1, 2013 and expire on April 30, 2016.
3. Renewal Term: Tenant shall have one (1) option to renew the term of the Lease with respect to the 1 TEK Expansion Space only (the "1 TEK Expansion Space Renewal Option") for an additional period commencing on May 1, 2016 and expiring on April 30, 2019 (the "1 TEK Expansion Space Renewal Term") by delivering written notice of the exercise of the 1 TEK Expansion Space Renewal Option to Landlord on or before October 31, 2015. If Tenant timely exercises the 1 TEK Expansion Space Renewal Option, the term of the Lease with respect to the 1 TEK Expansion Space only shall be extended for the 1 TEK Expansion Space Renewal Term on all of the terms and conditions of the Lease, as modified hereby, except that the Annual Base Rent for the 1 TEK Expansion Space during the 1 TEK Expansion Space Renewal Term shall be adjusted as noted herein below. Tenant's right to renew the term of the Lease for the 1 TEK Expansion Space under this paragraph shall terminate and be of no further force and effect if (a) the Lease or Tenant's right to possession of the Original Space or the 1 TEK Expansion Space is terminated, (b) Tenant assigns any of its interest in the Lease to an entity which is not an affiliate of Tenant or sublets any portion of the 1 TEK Expansion Space, or (c) Tenant fails to timely exercise its option under this paragraph, time being of the essence with respect to Tenant's exercise thereof.
4. Landlord Improvements to the 1 TEK Expansion Space: Landlord shall provide Tenant new carpet in all areas of the 1 TEK Expansion Space that are currently carpeted and shall perform wall prep for all interior walls of the 1 TEK Expansion Space such that the walls are "paint ready". Landlord shall have no obligation to perform any work or provide any allowance therefor with respect to the Original Space. All other costs associated with the space improvements are the sole responsibility of Tenant.

5. Annual Minimum Rent for the 1 TEK Expansion Space: Tenant shall have no obligation to pay Annual Base Rent for the 1 TEK Expansion Space from April 1, 2013 until and including April 30, 2013. Thereafter, the Annual Base Rent for the 1 TEK Expansion Space to be paid by Tenant as and when due pursuant to the Lease shall be calculated in accordance with the following:

TERM	RENTABLE SF	BASE RENT PER SF	ANNUAL BASE RENT	MONTHLY BASE RENT
5/1/2013	1,613	\$11.00	\$17,633.00	\$1,469.42
5/1/2014	The Annual Minimum Rent shall increase annually by the greater of 100% of the C.P.I. percentage increase over the previous year or 3.5%.			
1 TEK Expansion Space Renewal Term (if timely exercise)	The Annual Minimum Rent shall increase annually by the greater of 100% of the C.P.I. percentage increase over the previous year or 3.5%.			

6. Operating Expenses for the 1 TEK Expansion Space: From and after May 1, 2013, Tenant shall be obligated to pay to Landlord as and when due pursuant to the Lease an annual amount equal to Tenant's Proportionate Share of 1 TEK for the 1 TEK Expansion Space, which is 2.67% percent (determined by dividing the rentable square feet of the 1 TEK Expansion Space as identified above by the rentable square feet of 1 TEK as identified above), multiplied by the annual Building Operating Expense of 1 TEK. Landlord and Tenant agree and acknowledge that Tenant's Proportionate Share and the rentable square feet of 1 TEK and 1 TEK Expansion Space shall not be re-determined without the mutual written agreement of both Landlord and Tenant. Landlord and Tenant further acknowledge that Tenant's obligation to pay to Landlord Tenant's Proportionate Share of Building Operating Expense for the 1 TEK Expansion Space as set forth in this paragraph is in addition to Tenant's obligation to pay to Landlord Tenant's Proportionate Share of Building Operating Expense of 1 TEK for the Original Space in 1 TEK as set forth in the Lease.
7. Brokerage. Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Addendum. Tenant and Landlord will indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.
8. Ratification. Landlord and Tenant hereby ratify and confirm their respective obligations under the Lease, and each represents and warrants to the other that, to the best of its knowledge, it has no defenses thereto. Additionally, Landlord and Tenant further confirm and ratify that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) neither Landlord nor Tenant to its knowledge has any claims, counterclaims, set-offs or defenses against the other arising out of the Lease or in any way relating thereto.
9. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this Addendum shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of the Lease and the terms of this Addendum, the terms of this Addendum shall prevail. This Addendum constitutes the entire agreement between the parties concerning the subject matter hereof and expressly replaces any prior agreements. This Addendum shall be governed by the laws of the Commonwealth of Pennsylvania. Nothing contained in this Addendum shall affect, alter or otherwise modify the parties' rights and obligations under the Lease with respect to the Original Space.
10. Counterparts. This Addendum may be executed in multiple counterparts, each of which shall be deemed an original and both of which, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused these presents to be executed the day and year first above written.

AS TO LANDLORD:

HAMILTON 9999 ASSOCIATES L.P., a Delaware limited partnership

By: Breinigsville Owners GP LLC, its general partner

By: Tek Park LLC., its member

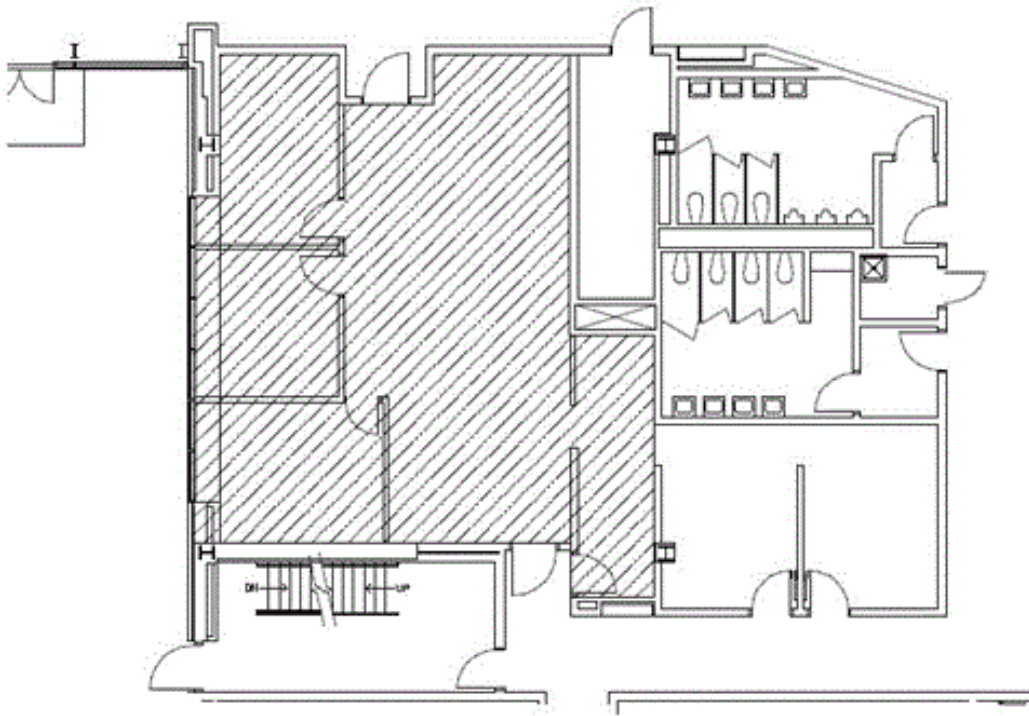
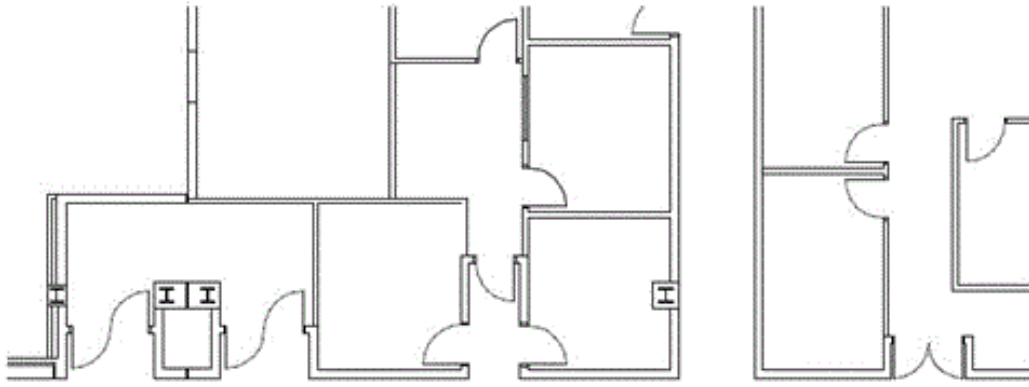
By: /s/ Eli Sternbuch
Eli Sternbuch, Vice President

AS TO TENANT:

CYOPTICS, INC.

BY: /s/Ed J. Coringrato, Jr.
NAME: Ed J. Coringrato, Jr.
TITLE: CEO

Exhibit "A"



SUITE 180
1613 SQ. FT.
RENTABLE

LEASE AGREEMENT

BETWEEN

INMOBILIARIA AYUSA, S. de R.L. de C.V., Landlord

AND

LUCENT TECHNOLOGIES MICROELECTRONICA DE MEXICO, S.A. DE C.V., TenantPremises Address:

Calle Oriente 2, No. 40

Ciudad Industrial de Matamoros

H. Matamoros, Tamaulipas, Mexico

Summary Lease Information

GUARANTOR	Lucent Technologies, Inc.
LAND SIZE	18,900 square meters
BUILDING SIZE	81,750 square feet
RENTAL RATE (\$/MONTH/SF)	\$0.75 Dollars, currency of the United States of America
ESCALATION	CPI with a minimum of 2% Per Annum
TERM	7 years
COMMENCEMENT DATE	
EXPIRATION DATE	

Execution copy
June 29, 2000

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made as of this 29th day of June, 2000, by and between Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord"), an S. de R.L. de C.V., having its principal place of business at No. 28 San Carlos, Col. Alianza, H. Matamoros, Tamaulipas, Mexico, 87410 and represented herein by Mr. Pablo Vivanco in his capacity as legal representative, and Lucent Technologies Microelectronica de Mexico, S.A. de C.V. ("Tenant"), a Mexican corporation, having a principal place of business at Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico, and represented herein by Mr. Edmundo Elias-Fernandez, in his capacity as attorney-in-fact.

W I T N E S S E T H:

A. Landlord, through its legal representative, hereby states, represents and warrants that:

(a) It is a Mexican *sociedad de responsabilidad limitada de capital variable* duly incorporated under the laws of Mexico, as evidenced through public instrument number 832, dated November 7, 1997, granted before Ms. Adriana Lydia

Villarreal Galindo, Notary Public number 46, for Matamoros, Tamaulipas, registered at the Public Registry of Commerce of Matamoros under entry 14V, seal 14V, book I, on December 15, 1997.

(b) It has clear and marketable title to the Land (as hereinafter defined), as evidenced through public instrument number 612, granted before Ms. Adriana Lydia Villarreal Galindo, Notary Public number 46, for Matamoros, Tamaulipas, registered at the Public Registry of Property of Matamoros in Ciudad Victoria under entry 28,579, book 572, section I, on June 26, 2000.

(c) It wishes to grant to Tenant the temporary use and possession of the Premises (as hereinafter defined) pursuant to the terms and conditions herein contained.

(d) The Land has an industrial use of land for light and medium non-contaminating industry in accordance with the urban development plan for the municipality of Matamoros, State of Tamaulipas, Mexico. A copy of the certificate of use of land (“*Licencia de Uso de Suelo*”) authorizing light and medium non-contaminating industrial use is attached hereto as Exhibit “A”.

(e) Landlord and its legal representative have the necessary authority to execute this Lease as evidenced through public instrument number 832, dated November 7, 1997, granted before Ms. Adriana Lydia Villarreal Galindo, Notary Public number 46, for Matamoros, Tamaulipas, registered at the Public Registry of Commerce of Matamoros under entry 14V, seal 14V, book I, on December 15, 1997. Said authority has not been limited or revoked in any manner whatsoever.

(f) The Land is current in the payment of taxes and other fiscal contributions and does not have any liens, encumbrances or limitations of domain, as evidenced by the certificate of no-liens or encumbrances (*certificado de libertad de gravamen*) issued by the Public Registry of Property and Commerce in Ciudad Victoria, Tamaulipas, and attached hereto as Exhibit “B”.

(g) Under the terms and conditions hereinafter set forth, it will build the Building (as hereinafter defined) on the Land for the exclusive benefit of Tenant, under this Lease.

B. Tenant, through its legal representatives, hereby states, represents and warrants that:

(a) Tenant is a *sociedad anonima de capital variable* duly incorporated under the laws of Mexico as evidenced through public instrument number 2,442, dated September 18, 1986, granted before Mr. Alfredo de la Rosa Estrada, Notary Public number 67, For Reynosa, Tamaulipas, registered at the Public Registry of Commerce of Matamoros under entry number 4,245, page 2,372, book 71, on October 1, 1986.

(b) Tenant wishes to accept from Landlord the temporary use and possession of the Premises pursuant to the terms and conditions contained herein.

(c) Tenant and its attorney-in-fact have the necessary authority to execute this Lease as evidenced through public instrument number 15,093, dated May 27, 1996, granted before Mr. Oscar Becerra Tucker, Notary Public number 28, acting in the protocol of Mr. Eduardo Romero Ramos, Notary Public number 4, for the District of Bravos, in ciudad Juarez, Chihuahua, registered at the Public Registry of Commerce of Matamoros under entry number 16, seal 16, book 1, on June 10, 1996. Said authority has not been limited or revoked in any manner whatsoever.

C. Both parties state that this Lease is being executed free from any and all consensual defects.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their heirs, executors, administrators, legal representatives, successors and assigns, hereby covenant and agree as follows:

CLAUSES:

1. **DEFINITIONS.** The following terms shall have the meanings set forth below:

“Base Rent” shall mean the Base Rent payable by Tenant during the Term, subject to escalation as provided in Section 3(B), as follows (amounts set forth below are in currency of the United States of America):

PAYMENTS

Dates	Annual		Monthly		Monthly/Per Square Foot	
Commencement	\$	735,750.00	\$	61,312.50	\$	0.75

“Building” shall mean that certain Building and other improvements to be constructed by Landlord on the Land in accordance with this Lease, having a street address of Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico, and to contain approximately 81,750 square feet.

“Commencement Date” shall mean the date of Substantial Completion. Landlord and Tenant shall confirm the Commencement Date, Expiration Date and Term in writing (in the form of Exhibit “C” attached hereto) immediately upon the determination thereof.

“Expiration Date” shall mean the last day of the calendar month in which the seventh (7th) year anniversary of the Commencement Date occurs; provided, however, that if the Commencement Date occurs on the first day of a calendar month, the Expiration Date shall be the last day of the calendar month immediately preceding the calendar month in which occurs the seventh (7th) year anniversary of the Commencement Date.

“Guarantor” shall mean Lucent Technologies Inc.

“Guaranty” shall mean the guaranty of Tenant’s obligations under this Lease executed and delivered by Guarantor simultaneously with the execution and delivery of this Lease, which guaranty is in the form of Exhibit “D” attached hereto.

“Land” shall mean that certain real property on which the Building is or will be situated, located in the City of Matamoros and State of Tamaulipas, with a surface area of 18,900 square meters. A plot plan of the Land is attached hereto as Exhibit “E”.

“Landlord’s Notice Address” shall mean No. 28 San Carlos, Col. Alianza, H. Matamoros, Tamaulipas, Mexico, 87410, with a copy to Reynolds and Rose, 34 S. Broadway, White Plains, NY 10601.

“Laws” shall mean all applicable Mexican laws, statutes, codes, orders and regulations and with any related directive, and with all rules, orders, regulations or requirements of any competent authority with respect to the Premises or the use or occupancy thereof.

“Parking Spaces” shall mean the parking spaces included at the Premise’s parking facility, which are also described in Exhibit “F”.

“Permitted Uses” shall mean non-contaminating manufacturing, warehouse and office uses to the extent same are permitted under the *Licencia de Uso de Suelo*.

“Premises” shall mean, collectively, the Land, the Building, and any other Building or improvements now or hereafter constructed on the Land.

“Rent Payment Account” shall mean a financial institution and an account number to be determined by Landlord. Tenant shall pay rent by means of wire or intra-bank or inter-bank transfer of funds within the Mexican banking system or check drawn on an account in a Mexican bank.

“Security Deposit” shall mean US\$ 122,625.00 Dollars (One Hundred Twenty Two Thousand Six Hundred Twenty Five Dollars 00/100) currency of the United States of America.

“Substantial Completion” shall mean that, with the exception of punch-list items which would not prevent the use or occupancy of the Premises for the permitted uses, the work to be performed by Landlord in strict accordance with **Section 5** as contemplated in such Section, has been completed, which shall occur by no later than December 15, 2000 (hereinafter referred to as the “Substantial Completion Date”).

“Tenant’s Notice Address” shall mean:

Lucent Technologies Microelectronica
De Mexico, S.A. de C.V.
Norte 7 y Avenida Lauro Villar
Ciudad Industrial
Matamoros, Tamaulipas 87390
Attn: Director General and Logistics Manager

with a copy to:

Lucent Technologies, Inc.
2333 Ponce De Leon Blvd.
Coral Gables, FL 33134
Attn. Mr. Greg Roude
and

Baker & McKenzie Abogados, S.C.
Paseo Triunfo de la Republica 3304-2
Ciudad Juárez, Chihuahua, México
C.P. 32330
Attn: Edmundo Elias-Fernández and/or Carlos Angulo-Parra

“Term” shall mean the period of seven (7) years commencing on the Commencement Date and ending on the Expiration Date.

2. PREMISES AND TERM.

(A) Premises and Term. Subject to the terms, covenants and conditions contained in this Lease, Landlord hereby grants to Tenant the temporary use and possession of the Premises and Tenant hereby accepts same for the Term. The Premises shall be used and occupied by Tenant solely for the permitted uses and for no other purpose without Landlord’s prior written consent, which shall not be unreasonably withheld. If during the period between the Pre-Completion Date (as below defined) and the Commencement Date, Tenant enters into the Premises, Tenant shall be responsible for any damages to the Premises caused by the negligence of Tenant, its employees, agents or visitors. The Premises is demised subject to all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction. Landlord has not made, does not make, and has not authorized anyone else to make any representation as to the present or future physical condition, operation, or any other matter or thing pertaining to the Premises except as expressly set forth herein. Tenant’s use of the Premises shall be subject to such reasonable rules and regulations as may be promulgated and modified, added to or deleted by the parties hereto from time to time, provided that such rules and regulations and any modifications thereof or additions thereto or deletions therefrom (i) are not inconsistent with any provision of this Lease, and (ii) shall not be effective until a copy thereof has been delivered to Tenant. Landlord shall enforce such rules and regulations in a non-discriminatory manner but will not be liable to Tenant for failure of any tenant or person to comply therewith. The current rules and regulations are attached hereto as Exhibit “G”. In addition, Tenant’s use of the Premises shall be subject to the covenants, conditions and restrictions in force from time to time with respect to the industrial park of which the Building will form a part. The current industrial park covenants, conditions and restrictions are contained in the industrial Park by-laws, which are attached hereto as Exhibit “H”.

It is understood that Tenant shall have the right to use the roof of the Premises for installation and use of one or more microwave dishes or other communications radio antenna and associated equipment. Tenant shall have no obligation to pay rent for such right, but Tenant shall, at its sole cost and expense, maintain the roof in good condition and repair arising out of its use of the roof, and comply with all applicable laws regarding such use.

(B) Renewal Term. Provided this Lease shall be in full force and effect and no Event of Default shall be continuing hereunder, Tenant shall have the right to extend the Term for two (2) consecutive periods of five (5) years each (each an “Extension Term”). The first Extension Term shall commence on the day after the Expiration Date and shall expire on the day prior to the five (5) year anniversary of such commencement, and the second Extension Term shall commence on the five (5) year anniversary of the Commencement Date of the first Extension Term and shall expire on the five (5) year anniversary of the Expiration Date of the second Extension Term, unless any Extension Term shall sooner end pursuant to any of the terms, covenants or conditions of this Lease or pursuant to laws. Tenant shall exercise its options hereunder by giving Landlord written notice of such election no later than six (6) months prior to the Expiration Date or the Expiration Date of the first Extension Term, as applicable, and upon the giving of such notice (but subject to the penultimate sentence

of this clause (B)), this Lease and the Term shall be extended without execution or delivery of any other or further documents, with the same force and effect as if the Extension Term(s) had originally been included in the Term and the Expiration Date shall thereupon be deemed to be the last day of the applicable Extension Term. All of the terms, covenants and conditions of this Lease shall continue in full force and effect during the Extension Terms, except that (i) CPI charges shall not be payable until the second year of each Extension Term and the Base Index for the Extension Term(s) shall be deemed to be the CPI Index for the month prior to the month in which such Extension Term commences, and (ii) Base Rent for the first year of each Extension Term shall be the lesser of (x) the Base Rent plus CPI charges payable for the last year of the initial Term or first Extension Term (as applicable) and (y) ninety-five percent (95%) of the then annual market rental rate per square foot for Class A industrial buildings in the Matamoros, Tamaulipas market multiplied by the square footage of the Building. Such annual market rental rate shall be determined as follows. Within thirty (30) days after Tenant's exercise of its option to extend, Landlord will propose to Tenant the market rental rate. Within thirty (30) days thereafter, Tenant will either accept such determination or, if Tenant disagrees with such determination, Tenant will provide in writing to Landlord Tenant's determination of the market rental rate. If, within thirty (30) days thereafter, the parties are not able to agree on the market rental rate, within twenty (20) days after such failure to agree, Landlord and Tenant shall together appoint a MAI (Market Appraiser Inspector) (or Mexican equivalent) appraiser having at least five (5) years' experience in industrial and warehouse leasing in the vicinity of Matamoros, Tamaulipas. If Landlord and Tenant are not able to agree upon the designation of the appraiser, then the appraiser will be appointed by the American Arbitration Association (or its successor) from its qualified panel of arbitrators, which appraiser shall, to the extent practicable, have the qualifications set forth above. Within forty-five (45) days after his appointment, the appraiser will determine the fair market rental value of the Premises applicable to the Extension Term. The determination of the appraiser shall be binding, final and conclusive on the parties. The fees and expenses of the appraiser and all costs incurred in connection with the appointment of the appraiser will be shared equally by Landlord and Tenant.

In the event an Extension Term shall commence prior to a determination of the Base Rent payable during such Extension Term, until the Base Rent is determined, Base Rent will be the sum of Base Rent plus CPI charges payable during the last year of the initial Term or first Extension Term, as applicable. (C) Termination Option. Provided this Lease shall then be in full force and effect and no event of default will then be continuing, Tenant shall have the option, effective on or after the commencement of the sixth (6th) Rent Year, to terminate this Lease provided that (i) Tenant shall give notice to Landlord of the exercise of such option (the "Termination Option Notice") not later than one hundred twenty (120) days prior to the intended termination date, and (ii) Tenant shall pay to Landlord, as additional rent (along with applicable value added tax), simultaneously with the giving of the Termination Option Notice a termination fee in an amount equal to fifty percent (50%) of the then remaining Base Rent plus CPI Charges (CPI Charges being calculated for the remainder of the Term based on the minimum 2% increase as provided in Section 3 below), payable from the actual proposed termination date (the "Early Termination Date") through the end of the Term. In the event Tenant delivers the Termination Option Notice together with the termination fee, and provided Tenant shall have continued to make all payments due under this Lease through the Early Termination Date, then this Lease shall expire on the Early Termination Date with the same force and effect as if such date were the Expiration Date.

3. BASE RENT; CPI ESCALATION.

(A) Base Rent. Tenant shall deposit monthly installments of Base Rent, along with applicable value added tax, directly into the Rent Payment Account or at such other place designated by Landlord, monthly, in advance, on the first day of each calendar month during the Term, without notice or demand and without any setoff, abatement or counterclaim. Any change of Landlord's payment address should be within Mexico and with one month's advance notice. Deposits of rent will be made by Tenant directly into the Rent Payment Account by, at the election of Tenant, wire transfer or intra-bank or inter-bank transfer of funds within the Mexican banking system or by check drawn on an account in a Mexican bank. Landlord agrees to render to Tenant monthly rental invoices, which shall comply with all applicable Mexican legal and tax requirements and include a breakdown of the value added tax. Said rental invoices shall be issued and delivered to Tenant at Tenant's Notice Address on the date rent is paid and shall contain the amount of rent paid in United States Dollars, as well as the corresponding amount in Mexican Pesos, according to the exchange rate published in the Official Journal of the Federation (*Diario Oficial de la Federación*) on such date. Landlord acknowledges that Tenant has the right to pay rent in Mexican Pesos. In the event that rent is paid in Mexican Pesos, such will be paid at the rate of exchange in effect for selling Mexican Pesos to purchase United States Dollars, according to the rate published in the Official Journal of the Federation (*Diario Oficial de la Federación*) on the date Tenant pays Landlord such rent. If the Commencement Date does not occur on the first day of a calendar month or if the Term does not expire or terminate on the last day of a calendar month, rent payable hereunder shall be prorated for such partial month on the basis of a thirty (30) day month. In addition to all other rights and remedies provided Landlord, all amounts payable hereunder which remain unpaid for five (5) days after their respective due dates and Landlord has given written notice to Tenant, shall bear interest five (5) days from the date that Tenant receives the written notice from Landlord and payable to and including the date of payment, at the rate of twelve percent (12%) per annum. (B) CPI Escalation: For purposes of this Lease, the following Terms shall have the following meanings.

"Base Index" shall mean the CPI index for the month prior to the month in which the Commencement Date occurs.

"CPI Charges" shall mean the annual rental adjustment calculated and payable in accordance with this Section 3(B).

"CPI Index" shall mean the Consumer Price Index presently designated as the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all Urban Consumers, U.S. City Average, "All Items" (1982-1984 equals 100). In the event that the statistics are not available or in the event that publication of the Consumer Price Index is modified or discontinued in its entirety, the adjustment provided for herein shall be made on the basis of an index chosen by Landlord as a comparable and recognized index of purchasing power of the United States consumer dollar published by the U.S. Department of Labor or other governmental agency. In the event that the CPI Index is not published for the months required for the calculation set forth in this Section, the parties shall utilize the Consumer Price Index for the month(s) nearest preceding the month(s) required for such calculation.

"Rent Year" shall mean each twelve (12) month period during the Term commencing on the Commencement Date (or the date corresponding to the Commencement Date for rent years after the first rent year) and ending on the date which shall be one day prior to the one year anniversary of the Commencement Date (or the date corresponding to the Commencement Date for rent years after the first rent year) except that the last rent year shall end on the Expiration Date.

In addition to the payment of Base Rent, from and after the commencement of the second rent year, Tenant shall pay CPI Charges, along with applicable value added tax, in monthly installments in the same manner and at the same time as payment of Base Rent. As soon as practicable after the end of the first Rent Year and each succeeding Rent Year during the Term, Landlord shall notify Tenant in writing of the amount of monthly CPI Charges due and supporting calculations and payable by Tenant to Landlord each month in addition to Base Rent for each month of the then current Rent Year. CPI Charges shall be calculated by multiplying the Base Rent by a fraction, the numerator of which shall be the CPI Index for such month less the Base Index, and the denominator of which shall be the Base Index. Notwithstanding anything contained herein to the contrary, in no event shall Base Rent plus CPI Charges payable in any Rent Year increase at a rate less than two (2%) percent over the sum of the Base Rent plus CPI Charges payable in the immediately preceding Rent Year. Until Landlord shall have delivered to Tenant a statement of the adjustment in CPI Charges for a particular Rent Year, Tenant shall pay to Landlord, along with Base Rent, CPI Charges (plus value added tax) for such Rent Year based on the two percent (2%) minimum increase over the prior Rent Year's payment of Base Rent and CPI Charges. If the actual CPI

Charges are greater than the two percent (2%) minimum CPI Charge payments Tenant shall have paid, Tenant shall pay the amount of any such excess within ten (10) days after notice thereof. Tenant shall pay Landlord on the first day of each succeeding month of such Rent Year the adjusted amount due for such month until the commencement of the succeeding Rent Year. The failure or delay by Landlord to deliver a notice with respect to CPI Charges for any Rent Year shall not be deemed a waiver of Landlord's right to deliver such notice or to collect CPI Charges. Whenever the term "rent" is used in this Lease, such term will be deemed to include CPI Charges.

4. TAXES AND UTILITIES; NET LEASE.

(A) Taxes. Tenant covenants to reimburse Landlord for all Premises-related taxes which are applicable during the Term and which may be assessed, levied, imposed upon, or become due or payable out of or in respect of, or become a lien on, the Premises or any part thereof or any appurtenance thereto, or any personal property, any rent or income received by Tenant from permitted subtenants, or any use, possession or occupation of or activity conducted at the Premises (unless such penalties and/or interest are incurred on account of Landlord's acts or omissions), sometimes collectively referred to herein as "Impositions". However, in no event shall said fees assessed in contesting the validity of any Impositions exceed the savings obtained for one year. Tenant shall pay Landlord the amount of any Imposition within thirty (30) days after receipt by Tenant of evidence of the amount thereof. Nothing herein contained shall require Tenant to pay income taxes assessed against Landlord or any other taxes which are assessed against Landlord or Landlord's business as opposed to the Premises or Tenant's operations thereat. Any Imposition which is not timely reimbursed shall bear interest at the rate set forth in Section 3 from the date due until the date payment is received. In the event that Tenant shall fail to pay Impositions in thirty (30) days, Landlord will have the right to require Tenant to deposit one-twelfth (1/12) of the current annual Impositions, on the first day of each month, in advance, to be applied to the payment of Impositions. Tenant reserves the right to, at Tenant's cost, negotiate and obtain tax reductions on Premises-related taxes, and Tenant shall provide Landlord with evidence of any such reductions promptly after receipt thereof from the appropriate authorities. Tenant shall not be responsible for any taxes and their corresponding fines for any period outside the Term. Furthermore, Tenant shall not be required to pay any late payment penalties during the Term.

(B) Utilities. Tenant shall directly contract for all utilities of every type and nature required by it in its use of the Premises and shall pay or cause to be paid, when due, all bills for water, sewerage, heat, gas, electricity and other utilities, if any, used on, in connection with, or chargeable against the Premises directly to the appropriate provider. Tenant shall pay all deposits, substation contribution fees and connection fees with respect to the delivery of utilities to the Premises. All infrastructure required from the Premises to the property line for Premises utilities to be hooked up at the property line shall be provided by Landlord at Landlord's cost. In addition, Landlord will provide the wiring and other utility infrastructure within the Building to the extent specified in the Drawings and Specifications. Tenant shall not be responsible for any charges and their corresponding fines for any period outside the Term unless arising on account of Tenant's acts or omissions.

Landlord covenants, represents and warrants that all water and sewer connections to and at the Premises shall be completed and in good working condition on or prior to Pre-Completion Date, as defined in Clause 5 (D). Landlord shall provide, at its sole cost and expense, connections to the Premises so that Tenant may obtain separately metered utilities.

Landlord hereby guarantees to Tenant that the Premises will have the following utilities capacities and that the necessary infrastructure and connections will have been made and paid for, to enable Tenant to contract the services pertaining to such utilities: (i) feasibility to contract and obtain for the Premises electrical power up to 3000 KVA's; (ii) feasibility to contract and obtain for the Premises up to ten (10) telephone lines from Teléfonos de México; (iii) the availability of water at the Premises connected to the city's water system at a volume of at least one (1) liter per second; and (iv) that sewage lines are connected from the Premises to the city's sewer system, with capacity to convey at least one (1) liter of sewage per second. Landlord has received assurances from the applicable utility providers for the above mentioned capacities.

(C) Industrial Park Fees. Tenant shall pay directly to the appropriate authority before any fine, penalty, interest or cost may be added thereto for the non-payment thereof any maintenance or other, similar fees or charges levied against the Premises or operations thereat during the Term by any industrial park authority or any other association or authority levying any such charges or fees against the Premises or operations thereat, as outlined in the industrial park's association by-laws (a copy of which is attached hereto as Exhibit "H"). Upon Tenant's failure to pay any such amount, Landlord shall have the right, at Landlord's option, to pay the same, in which event Tenant shall repay such amount, with interest at the rate set forth in Section 3, to Landlord upon demand. Tenant shall not be responsible for any charges and their corresponding fines payable for any period outside the Lease Term.

(D) Net Lease. It is the purpose and intent of Landlord and Tenant that the rent payable hereunder shall be absolutely net to Landlord so that this Lease shall yield, net to Landlord, the rent specified herein in each year during the Term. To the extent applicable, value added tax will be paid by Tenant on all Landlord reimbursements required to be paid hereunder, as indicated in the applicable invoice from Landlord to Tenant with the value added tax statement or a copy thereof appended to the applicable invoice.

5. LANDLORD'S WORK.

(A) Landlord binds itself to construct the Building at its own risk, cost and expense, for the benefit of Tenant, in strict compliance with the specific plans and outline specifications as well as a construction schedule (collectively, the "Preliminary Drawings and Specifications") attached hereto as Exhibit "I".

(B) Final Drawings and Specifications shall be prepared based on the Preliminary Drawings and Specifications. The Preliminary Drawings and Specifications have been provided to Tenant for its review and approval. Upon execution of this Agreement, Tenant shall notify Landlord in writing whether it approves the Preliminary Drawings and Specifications or not. In the event of Tenant's approval, such Preliminary Drawings and Specifications shall become the Final Drawings and Specifications. Otherwise, Tenant shall describe the reasons (in reasonable detail) for Tenant's disapproval, in which event, the parties shall in good faith discuss the reasons for Tenant's disapproval, and Landlord will incorporate Tenant's reasonable modifications to the Preliminary Drawings and Specifications, which will become the Final Drawings and Specifications, and shall be initialed by the parties to indicate approval. In the event that, upon execution of this Agreement, Tenant does not notify Landlord as referred above, the Substantial Completion Date will be extended one day for each day of Tenant's delay to notify Landlord.

(C) In the event Tenant wishes to make changes to the Final Drawings and Specifications, Tenant shall submit a written request to Landlord stating with specificity the requested modifications. Unless a modification is required solely to cause the construction of the Building to conform to the Final Drawings and Specifications, Tenant will pay for any increases in Landlord's cost of construction as well as any additional costs incurred in revising the Final Drawings and Specifications on account of such requested modification. Landlord will provide to Tenant a good faith budget estimating any such additional costs with ten percent (10%) mark-ups. Tenant will be obligated to pay, in the form of rent the reasonable costs incurred, by or on behalf of Landlord in preparing such estimate. Prior to preparing such estimate Tenant must approve all costs associated in preparing said estimate. Promptly after receipt of the estimate, Tenant shall either cancel the instructions or approve such instructions by issuing a change order in writing, signed by Tenant (the "Change Order"). Failure of Tenant to notify Landlord within the aforementioned two (2) calendar days after receiving Landlord's written notice, shall be deemed a cancellation of the Change Order. Tenant shall have no obligation to make payment to Landlord in the absence of a Change Order. Any delays in the work attributable to such modification will not extend the Commencement Date, unless the parties expressly agree otherwise in the applicable Change Order.

Tenant or any other persons designated in writing by it shall, at any time, have access to the Premises being constructed for purposes of determining that the work is being performed in accordance with the Final Drawings and Specifications. Landlord shall provide suitable and safe facilities for such inspections without any charges. These inspections shall not be deemed as a release to Landlord's responsibility for the quality of the construction, which at all times shall be the exclusive responsibility of Landlord.

Landlord shall provide Tenant with a notice at least 24 (twenty-four) hours before the covering of any portion of the Building completed by Landlord or subcontractors, in order to give Tenant the right to inspect the Building. In the event that Tenant does not make the inspection previously notified by Landlord during the following (24) twenty-four hours, Landlord may proceed to cover up and finalize the related work.

It shall be the duty of Landlord to keep the Premises, at all times, free from accumulations of waste material or rubbish caused by the respective employees of Landlord and the subcontractors and the work of each of them. Landlord shall remove all debris or rubbish from and around the Premises, and all tools, scaffolding and surplus materials, and shall deliver the Premises clean and acceptable to Tenant.

(D) Landlord shall construct the Building or cause the construction of the Building in accordance with the Final Drawings and Specifications and shall cause (i) Pre-Completion (as hereinafter defined) of the Building by no later than December 1, 2000 (hereinafter referred to as the "Pre-Completion Date") and (ii) Substantial Completion of the Building by the Substantial Completion Date. The Pre-Completion Date and the Substantial Completion Date will each be subject to Extension, on a day for day basis, by the period of any delays in the work attributable to a Change Order, as provided in clause (C). The Commencement Date will not be delayed on account of any delay in Substantial Completion attributable to any act or omission of Tenant or any agent, contractor or representative of Tenant. Delays in performance of the work by Landlord shall be subject to the penalties defined below in Section 23. Landlord, at its expense, shall be responsible for obtaining all necessary governmental permits in connection with Landlord's work hereunder. Failure by Landlord to secure such permits and authorizations shall constitute a breach of this Agreement.

(E) In the event that Pre-Completion of the Building is performed before the Pre-Completion Date. Landlord shall notify Tenant of such anticipated date of Pre-Completion at least five (5) days prior to such date. "Pre-Completion" shall mean that the Building is sufficiently complete for Tenant to install at the Premises Tenant's fixtures, machinery and equipment. Tenant shall be permitted access to the Premises for such installations. It is expressly understood and acknowledged by the parties that such access will be subject to all of the terms and conditions of this Lease on the part of Tenant to be performed or observed except that rent shall not be payable during such period.

(F) In the event that Substantial Completion of the Building is performed before the Substantial Completion Date, Landlord shall notify Tenant of such anticipated date of Substantial Completion at least five (5) days prior to such date. Landlord shall notify Tenant of the scheduled date on which Landlord shall meet with Tenant to inspect the work by notice given at least five (5) days prior to the Substantial Completion. Within thirty (30) days after Tenant's inspection of the work, Tenant shall submit to Landlord a punch-list of incomplete items. Landlord shall complete such punch-list items within thirty (30) days after receipt of the punch list. Tenant shall have the right to perform a final inspection to verify completion of such punch-list, in which case, Tenant shall notify Landlord of its final acceptance of the Building ("Final Acceptance"). If Landlord fails to complete such punch-list items within such term, Tenant shall have the right to carry out all actions required to complete such punch-list at Landlord's expense, in which case all expenses incurred by Tenant may be set off from the rental payments. Upon completion of the punch-list items by Tenant, Tenant shall be bound to notify Landlord of the Final Acceptance. Tenant's possession of the Premises shall be conclusive as to Tenant's acceptance of the Premises as of the Substantial Completion Date and acknowledgment that the Premises is in the condition required by the Final Drawings and Specifications, except as to incomplete items as set forth on the punch-list.

(G) Landlord represents and warrants that the condition of the Premises will be suitable for the intended use contemplated by Tenant. All materials, parts, components and equipment utilized in the construction of the Building by the Landlord shall be (i) new, unless otherwise specified and approved by Tenant in writing; (ii) of the type and for the purpose for which they are to be used; (iii) of the best quality and grade of their respective types; (iv) manufactured by manufacturers approved by Tenant; (v) in no event of less quality customarily employed in other high quality industrial facilities owned by Landlord and built by Landlord; (vi) when of a foreign origin, legally imported into Mexico; and (vii) in full compliance with any official standards (*Normas Oficiales Mexicanas*) or any other applicable regulations. The component parts of all installations to be constructed by Landlord, shall function together as a workable system, shall be completed with all accessories necessary for their operation and shall be turned over to Tenant with all equipment properly adjusted, in working order and with all operating manuals.

(H) Landlord represents and warrants to Tenant that (i) the Building shall conform to the Final Drawings and Specifications, and shall be in compliance with all applicable laws, regulations, ordinances, and administrative orders, and (ii) the Building shall be free from defects in design, workmanship and materials for a period of one (1) year from the Commencement Date and Landlord agrees to make, at its sole cost and expense, all repairs and replacements required to remedy such defects within two (2) days after receiving notice by Tenant. Tenant may grant an extension to such term if the defect cannot be cured within such term, which extension shall not be unreasonably withheld. Where Landlord has performed labor or provided material or equipment in accordance with the respective warranty, said warranty shall be extended for such items, but only as to the defect in question, for an additional period of one (1) year from the date of correction of such defective or faulty workmanship or materials or the remaining life of the warranty set forth in subparagraph (ii) of this paragraph (H), whichever is greater. Notwithstanding the above, Landlord's warranty as to latent defects shall continue throughout the Term of this Agreement.

(I) Labor Relationship.

Landlord agrees to comply with all of its obligations as employer with respect to its employees regarding the Federal Labor Law, Social Security Law, National Housing for Workers Fund Law ("INFONAVIT"), Retirement Saving Fund ("SAR") and other such applicable laws, regulations or ordinances. The parties hereto acknowledge and recognize that there will be no labor relationship between Tenant and any of Landlord's employees, agents, representatives, visitors or any other person working or visiting the Land and the Premises being constructed thereon.

Landlord agrees to indemnify and hold Tenant harmless (including the payment of reasonable attorney's fees), in the event of any labor claim arising hereunder or from the construction of the Building, filed by any worker or employee of Landlord, as well as from any claim from the Mexican Social Security Institute or INFONAVIT, or any other party, or as a result of a failure by Landlord to comply with their obligations hereunder.

(J) Non-Compliance by the Landlord.

The parties hereto agree that in the event that the Landlord defaults or neglects to carry out the construction of the Building strictly in accordance with the terms and conditions of this Agreement, and fails within two (2) days after receiving written notice from Tenant to commence and/or continue corrections of such default or neglect with diligence and promptness, Tenant may, without prejudice to any other remedy it may have, cure such deficiencies at the sole cost and expense of Landlord.

(K) A performance bond (*fianza*) shall be obtained and paid by Landlord with a face value equivalent to one hundred percent (100%) of the total value of the Building, to guaranty Landlord's full and timely performance of each of its obligations hereof, including but not limited to the obligations of Landlord described in paragraph H of this Clause 5, and Clause 23 of this Lease. This bond shall be issued upon execution of this Lease. The parties agree that Tenant shall be appointed as sole beneficiary of this bond. In the event Tenant forecloses on this bond, the proceeds shall be applied to the completion of the Building, or as the case may be, to repair, replace or in any other way correct any non-fulfillment of Landlord's obligations under this Agreement.

Landlord shall furnish Tenant with a certificate for the bond policy required to be provided, which policy shall provide that it shall not be reduced or canceled without Tenant's consent. Landlord shall furnish Tenant receipts for the payment of premiums on such bond policy.

The bond policy shall be issued by Afianzadora Insurgentes, S.A. and obtained through Mr. Jorge Gomar de los Rios, or any other bonding company or agent elected by Tenant, provided that such bond policies are issued under competitive prices, and shall be subject to the approval of Tenant as sole beneficiary. The bond policies may only be canceled with Tenant's prior approval.

(L) Insurance.

(a) Landlord shall obtain and maintain, during the construction of the Building and until Final Acceptance, and shall furnish copies of the following insurance policies to Tenant no later than five (5) working days following the execution of this Agreement:

(i) Comprehensive General Liability Insurance (known in Mexico as "Civil Liability Insurance") with a limit of liability of US\$1,000,000.00 (One million Dollars) currency of the United States of America or its equivalent in Mexican Pesos per occurrence. Such insurance policy shall keep and maintain Tenant, at all times during the performances of the construction, free from any claims resulting from injury or death of any person or persons, or damage to property caused in whole or in part by acts or omissions of Landlord or subcontractors, suppliers or any other party directly or indirectly employed by any of such parties, while engaged in the performance of the construction work, or any other activity associated or related thereto, or acts of God or force majeure, as provided by the Civil Code of the State of Tamaulipas, Mexico and the Federal Labor Law of the Mexican Republic and any other applicable laws and regulations.

(ii) An insurance policy to fully protect the Premises for up to the total cost of the construction and all materials, fixtures and accessories of same, against any and all damages caused by fire, lightning, explosion, falling aircraft, collisions, smoke, storms, hail, vehicle damage, earthquakes, volcanic eruption, strikes, riots, civil commotion, vandalism and flood, acts of God and force majeure.

(b) All insurance provided for in this clause shall be contracted under valid and enforceable policies issued by well-known and reputable insurers authorized to do business in Mexico acceptable to Tenant.

(c) All insurance policies herein provided for shall name Landlord and Tenant, as their respective interests may appear.

(d) Each such policy or certificate hereafter issued by the insurer shall contain an agreement by the insurer that such policy shall not be canceled without at least ten (10) calendar days prior notice to Tenant, and that any loss which shall be payable to Landlord or Tenant shall be so payable, notwithstanding any act or negligence of the other party which might otherwise result in a forfeiture of all or part of such insurance.

(e) All insurance proceeds paid on account of such damage or destruction less the actual cost, fees and expenses, if any, incurred in connection with adjustment of the loss, shall be made available to Landlord or Tenant, as their respective interests appear under this Agreement, for the purpose of restoring, replacing, rebuilding or altering the Premises as nearly as possible to its value, condition and character immediately prior to such damage or destruction, if so elected and determined by Landlord and Tenant.

6. LIABILITIES OF THE PARTIES.

Landlord hereby guarantees to Tenant the quiet and peaceful use and enjoyment of the Premises without interference or disturbance by Landlord or any other party, during the term of this Lease, and any extensions and renewals. Tenant shall have the right to immediately terminate this Lease without penalty if Tenant is prevented from using, for its normal business activities, any portion or all of the Leased property as a consequence of acts of God, expropriation, condemnation or nationalization of any portion or all of the Premises, Tenant's inability to obtain (provided Tenant makes diligent efforts to obtain such permits or approvals) any permits or approvals from any governmental authority or subdivision thereof required under Mexican Federal, State, or local laws or regulations, or under any other laws applicable to Tenant's operations including, without limiting the generality of the foregoing, any environmental control restrictions or enforcement measures imposed on Tenant in the course of its normal operations on the Premises imposed by any Mexican governmental authority, strike, riot, or other civil commotion, any other act of the Mexican government or any subdivision thereof, or acts of third parties (hereinafter "Force Majeure") or if Tenant is prevented from using any portion of the Premises for any cause not attributable to Tenant. Tenant agrees that it will use the Premises only for the purposes herein stipulated and in accordance with the nature and intended usage of the Premises. The liabilities of Landlord and of Tenant, in each case, shall be governed by the following provisions:

(i) in the event that Tenant is prevented from using any portion of the Premises for any reason attributable to Landlord, including but not limited to Landlord's failure to timely make any repairs required to be made by Landlord or Landlord's failure to timely satisfy any other obligations pursuant to the terms of this Lease or other right under this Lease, the rental payments shall be reduced in proportion to the part of the Premises which Tenant is prevented from using for so long as such impediment of use continues, provided that the affected portion of the Premises does not hinder Tenant's business, in which case the provisions set forth herein below will apply. In the event Tenant is prevented from using the Premises in its entirety, or in the event that Tenant cannot effectively and practicably use the Premises for the purpose herein stated because the Premises is not fully functional for any reason including but not limited to Landlord's failure to make any required repairs or the unavailability of utility services for reasons attributable to Landlord, then no rent shall be paid during the time that the Premises is not usable in part or in whole, and any previously paid rent for the time Tenant was prevented from using the Premises shall be refunded to Tenant. If the Premises is not usable by Tenant as specified in this paragraph for a period of sixty (60) calendar days Tenant may, in addition to any other remedies available to it, upon ten (10) calendar days written notice, rescind or terminate this Lease without need for judicial resolution or other resolution whatsoever, and without incurring in any liability or obligation to Landlord if the Premises is not made fully usable during such ten (10) calendar days.

(ii) if the Premises is damaged or destroyed for any reason, Landlord agrees to restore it in a good and workmanlike manner to its proper condition so that Tenant may use it for the purposes agreed in this Agreement. Tenant shall have no obligation to pay rent on any part of the Premises it cannot use during the rebuilding period. However, if such destruction exceeds fifty percent (50%) of the full insurable value of the Premises and it is caused by accident or force majeure, the Landlord shall have the right to elect not to rebuild and in such case this Lease shall terminate without any further responsibility to the parties (except the obligation of Landlord to repay any improvements and to refund any deposits made by Tenant), unless said damage is covered by insurance, and

the insurance company pays the amounts corresponding to the damage. The percentage of the insurable values hereinabove referred to, shall be determined by the insurance claim adjuster of the insurance carrier contracted for the insurance provided for in Clause 5(L) hereof, if such destruction exceeds fifty percent (50%) of the full insurable value of the Premises and it is caused by accident or force majeure, or if the total impediment of use cannot be reasonably expected to be corrected in two (2) months then in either event the Tenant shall have the right to terminate this Lease, without incurring any liability or obligation to Landlord. Should Tenant agree to wait for the restoration of the Premises and Landlord does not fully restore the Premises within two (2) months after the accident, Tenant may, in addition to any other remedies available to it, upon ten (10) days written notice, rescind or terminate this Lease without incurring any liability or obligation to Landlord, if the Premises is not fully restored during such ten (10) day period.

(iii) if the impediment of use is due to negligence of Tenant, its agents, employees or invitees, then Tenant shall continue to pay the rent as if it were using said Premises, unless this loss is covered by rent insurance or other insurance.

(iv) in the event of partial impediment of use in accordance with this Clause, and in the event Tenant agrees to continue renting the Premises, the parties shall mutually agree on the proportion by which the rent shall be reduced.

7. PARKING; SECURITY. Tenant shall have the exclusive use of the Parking Spaces located within the parking facilities included as part of the Premises. Landlord shall not be liable for any damage to, or any theft of, vehicles, or contents thereof, within the parking facility, nor shall Landlord have any other obligation to provide security or security measures at the Premises, all of which shall be Tenants responsibility.

8. REPAIRS AND MAINTENANCE.

(A) Landlord's Obligations. Landlord, at its sole expense, shall maintain and repair the foundations, structure and roof of the Building (including roof waterproofing). Landlord shall also correct any defects in construction, labor, design and materials of the Building discovered during the one-year period after the Commencement Date. Tenant shall reimburse Landlord for the cost of any repairs or maintenance performed by Landlord, if caused by the negligence or criminal or willful misconduct of Tenant or its agents, employees, contractors, invitees and licensees. Landlord may enter the Premises at any time in an emergency, or at all reasonable times within normal working hours for the purpose of performing any work therein that may be required of it or that may be necessary by reason of Tenant's failure to make repairs or perform such work, with a forty-eight (48) hour prior notice and accompanied by Tenant's representative; provided, however, that Tenant may have restricted areas which will be available for inspection by Landlord only at the sole discretion of Tenant. Landlord shall use reasonable efforts to minimize interference with Tenant's conduct of business in connection with this Section 8. Tenant agrees to notify Landlord promptly of any defective condition known to Tenant, which Landlord is obligated to repair. Except as provided herein, Landlord shall not be obligated to provide any maintenance, repairs or services to Tenant or the Premises.

(B) Tenant's Obligations. Except for Landlord's obligations set forth above, Tenant, at its sole cost and expense, shall keep, repair and maintain the Building and all fixtures and equipment therein, including, without limitation, heating and air-conditioning, all plumbing, electrical, gas, water, sewage and similar systems, as well as the interior structure of the Building (including interior walls, ceiling and floor coverings), window glass, loading docks, exterior steps, doors and signs of Tenant on the outside of the Building, as well as all areas at the Premises outside of the Building (including, without limitation, landscaping) in good repair, order and condition, normal wear and tear excepted, and in accordance with all Laws. Tenant shall keep the Premises clean and in good order and shall arrange and pay for all garbage and refuse removal. All repairs, maintenance and replacements to be made or performed by Tenant shall be performed in a good and workmanlike manner in accordance with applicable Laws and regulations and the provisions of this Lease and shall be at least the same quality and design as the original work or item. Landlord agrees, at its expense, to correct any construction defect with respect to Landlord's work referred to in Section 5 above discovered by Tenant during the three-year period commencing on the Substantial Completion Date. Landlord agrees to assign to Tenant any warranties, which may relate to work required to be performed by Tenant hereunder.

(C) Each party shall be obligated to repair damage to the Premises caused by the negligence of such party, its employees, agents or visitors, to the extent that such damage is not covered by insurance proceeds available for such purpose. If it is not possible to determine the cause of damage, the provisions of the Civil Code for the State of Tamaulipas shall apply.

9. ALTERATIONS; SIGNS.

(A) Alterations. Tenant shall not make any alterations, additions or improvements (collectively, "Alterations") to the Premises without Landlord's prior written consent, except that no consent shall be required for minor or cosmetic modifications to the interior of the Building, provided any such modification is non-structural and does not affect the Building's mechanical or electrical systems or services. Landlord agrees not to withhold unreasonably its consent to any Alterations for which its consent is required. Tenant shall provide to Landlord for its approval plans and specifications with respect to any Alteration, which requires Landlord's consent. If Landlord consents to any Alterations to the Premises, such Alterations shall be performed in a good and workmanlike manner at Tenant's expense, and such Alterations shall be performed in accordance with the applicable laws. Tenant shall give Landlord fifteen (15) days prior notice before commencing any permitted Alterations. Tenant shall be responsible for any Alterations, additions or improvements required by law to be made by Landlord to or in the Building as a result of Tenant's proposed alterations. All fixtures, equipment or alterations of whatsoever nature as shall have been installed on the Premises by Tenant, at the expiration or termination of this Lease or any renewal or extension thereof, may be removed by Tenant, at its sole discretion; provided, however, that Tenant shall at its own cost and expense repair any damages to the Premises resulting from the removal of said equipment, accessories or alterations. Tenant shall keep the Premises free from claims arising out of any work performed on Tenant's behalf and shall not affect any interest of Landlord in the Premises.

(B) Signs. Tenant shall be permitted, at its own discretion and at no additional cost, to place its name on the exterior doors or other customary locations on the Premises. Tenant shall be entitled to have an outdoor sign identifying Tenant placed on the Premises, at Tenant's sole cost and expense, and in compliance with applicable laws. Tenant shall remove any such signs placed by Tenant, upon vacating the Premises and Tenant shall be bound to repair the damages caused by such removal.

10. ASSIGNMENT AND SUBLETTING

(A) Tenant shall not (i) assign or otherwise transfer this Lease; (ii) permit the Premises or any part thereof to be used by anyone other than Tenant; (iii) sublet the Premises or any portion thereof; or (iv) mortgage or otherwise encumber this Lease or Tenant's interest in the Premises, in each instance without obtaining Landlord's prior written consent which will not be unreasonably withheld. For the purposes of this Section 10, the transfer or issuance of stock or other interests in Tenant ultimately resulting in a change of control in Tenant shall be an assignment of this Lease. For the purposes hereof "control" shall mean ownership of at least fifty-one percent (51%) of the voting stock of a corporation or at least fifty-one percent (51%) of the legal and equitable interest in any other business entities. However, Tenant may assign this Lease or sublet the Premises to any entity which controls, is controlled by, or is under common control with Tenant (each, a "related entity"), or to any affiliated company thereof, for the permitted uses provided that (a) Tenant shall not then be in default under this Lease, (b) prior to such assignment or subletting, Tenant furnishes Landlord with the name of such related entity, together

with Tenant's written certification that such entity is a related entity and (c) the Guaranty remains in place after any such assignment or sublet. The above mentioned restrictions shall not apply to transactions with a corporation into or with which Tenant is merged or consolidated or to which substantially all of Tenant's assets are transferred, provided that Tenant's successor has a net worth computed in accordance with generally accepted accounting principles at least equal to the net worth of Tenant herein named on the date of this Lease and Landlord shall have received satisfactory proof of such net worth at least ten (10) days prior to the effective date of such transaction.

(B) It shall be deemed unreasonable for Landlord to withhold, delay or qualify its consent if such assignment or sublease meets all of the following conditions: (i) the proposed sublessee or assignee will not substantially interfere with the operations of other occupants of the industrial park; (ii) the assignee or sublessee agrees to comply with the restrictive covenants attached as Exhibit "G"; (iii) the assignee or sublessee is a person or organization financially sound; (iv) the assignee assumes all of the obligations under this Lease, or the sublessee agrees to be subject to all the terms and conditions of this Lease; and (v) such assignment or sublease will not permit the use of the Premises for any purpose forbidden by this Lease.

11. TENANT'S INSURANCE. Tenant shall maintain throughout the Term, at its expense, the following insurance: (i) fire and extended coverage insurance covering the Building and other improvements at the Premises against loss or damage by fire, flood, windstorm, hail, earthquake, explosion, riot, damage from aircraft and vehicles, smoke damage, vandalism, malicious mischief and such other risks as are from time to time covered under "extended coverage" endorsements and special extended coverage endorsements commonly known as "all-risk" endorsements in an amount equal to the full replacement value of the Premises and containing the waiver of subrogation required in this Section 11, (ii) commercial general liability insurance on an occurrence basis providing coverage for bodily injury (including death), property damage and products liability insurance (where such exposure exists) containing a broad form contractual liability endorsement insuring Tenant's obligations under Section 5(L) hereof with a combined single limit of at least One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate for all occurrences within any policy year, (iii) business interruption insurance with coverage for, among other things, monetary obligations of Tenant hereunder for a period of at least one (1) year. The foregoing policies (with the exception of business interruption insurance) shall name Landlord and Tenant as co-insureds as their respective interests may appear, and shall provide that any loss shall be payable to Landlord and Tenant as their respective interests may appear. All insurance shall be placed with reputable companies licensed to do business in Mexico in accordance with applicable laws and reasonably approved by Landlord and shall be written as primary policies with annual deductibles not to exceed Ten Thousand Dollars (\$10,000), and with any other policies shall serve as excess coverage Tenant shall deliver original certificates of all such policies as of the Commencement Date and each anniversary date thereafter, which shall provide that no cancellation or non-renewal of such policies shall be effective without thirty (30) days prior written notice from the insurer to Landlord. Each party shall obtain a waiver of subrogation or consent to a waiver of right of recovery against the other party, and each hereby agrees that it will not make any claim against or seek to recover from the other party any loss or damage covered by its fire and extended coverage insurance. Tenant shall not do any act or thing in the Premises or store anything therein except as now or hereafter permitted by the applicable laws and then only in such quantity and manner of storage as not to increase the existing rate of, or adversely affect, or cause a cancellation of any insurance policies covering the Premises.

12. EMINENT DOMAIN AND CASUALTY.

(A) **Eminent Domain.** If all or substantially all of the Premises is taken by a public authority pursuant to the exercise of the power of eminent domain, this Lease shall terminate on the date on which the condemning authority takes possession of the Premises ("Date of Such Taking"). If part of the Premises is taken such that, in Tenant's opinion, the Premises cannot be restored to an economically viable condition, or if the holder of any mortgage encumbering the Premises requires application of the condemnation proceeds to the reduction of the mortgage indebtedness, either Landlord or Tenant may terminate this Lease upon thirty (30) days prior written notice to the other. Upon a partial taking which does not result in a termination of this Lease, (i) rent shall be adjusted to reflect the reduced amount of rentable area in the Building; and (ii) Landlord shall restore the Premises, but only to the extent of funds available to Landlord from the consideration paid for such taking. Landlord shall not be obligated to replace or restore any improvements or alterations to the Premises made by or on behalf of Tenant, or any of Tenant's leasehold improvements, personal property, furniture, fixtures or equipment. Upon any taking, Landlord shall be entitled to any resulting damages, awards or any interest therein, and Tenant shall have no claim for the value of any unexpired Term of the Lease or otherwise. Tenant may independently claim for the value of its furniture, fixtures and equipment or moving expenses, provided that such claim shall not diminish Landlord's claim.

(B) **Casualty.** If the Premises or a substantial portion thereof is rendered untenantable by fire or other casualty and Landlord reasonably determines (based on the determination of an architect or engineer) that the damage cannot be repaired within one hundred eighty (180) days after Landlord is notified of the casualty, then either Landlord or Tenant may, within thirty (30) days after such determination (which shall be provided to Tenant), give the other notice of termination of this Lease without any further liability, and the Term shall expire thirty (30) days after such notice is given, with rent being apportioned as of the date of Lease termination. If either Landlord or Tenant have not elected to terminate as herein provided, Landlord shall repair the Premises, but only to the extent of the insurance proceeds actually received by Landlord, with Tenant obligated to pay any deductible, except for damage due to defective materials, construction, labor or design of the Building, in which case the repairs shall be at Landlord's expense. If insurance proceeds paid to Landlord are not sufficient to complete the required repairs and Landlord elects not to complete same, Landlord shall notify Tenant and Tenant shall have the right to terminate the Lease, without any further liability to Tenant. During any period Tenant is not able to occupy the Premises on account of any repair or restoration, Tenant will have no obligation to pay rent or other amounts due hereunder provided Tenant has maintained business interruption insurance as required hereunder. Tenant shall give Landlord prompt written notice of any damage to the Premises by fire or other casualty. Landlord's obligations to restore are strictly limited to the replacement of the basic Building area. Landlord shall not be obligated to restore any alterations, personal property, furniture, fixtures or equipment.

13. INDEMNIFICATION AND COMPLIANCE WITH LAWS.

(A) Tenant shall defend, indemnify and hold Landlord and its officers, directors, employees, attorneys and agents harmless from and against any and all demands, causes of action, judgments, costs, expenses, losses, damages, claims, or liability for any damage to any property or injury, illness or death of any person (a) occurring in the Premises at any time during the Term (or any time prior to or after the Term Tenant is occupying all or a portion of the Premises) from any cause whatsoever other than the negligence or willful misconduct of Landlord or damages caused by defects in Landlord's work which Landlord is obligated to repair pursuant to Section 5 hereof; (b) arising out of or in any way related to claims for labor performed or materials furnished to Tenant or the performance of any work done by or for the account of Tenant, whether or not Tenant obtained Landlord's permission to have such work done, labor performed or materials furnished; or (c) arising out of or in any way related to any breach of a covenant or condition in this Lease to be performed by Tenant. The provisions of this subsection shall survive the expiration or sooner Termination of this Lease.

(B) Landlord shall defend, indemnify and hold Tenant and its officers, directors, employees, attorneys and agents harmless from and against any and all demands, causes of action, judgments, costs, expenses, losses, damages, claims, or liability for any damage to any property or injury, illness or death of any person (a) occurring in the Premises at any time during the Term (or any time prior to or after the Term Tenant is occupying all or a portion of the Premises) from any cause whatsoever other than the negligence or willful misconduct of Tenant, as well as damages caused by defects in Landlord's work which Landlord is obligated to repair pursuant to Section 5 hereof; (b) arising out of or in any way related to claims for labor performed or materials furnished by Landlord in the performance of Landlord's work hereunder; or (c) arising out of or in any way related to any breach of a covenant or condition in this Lease to be performed by Landlord. The provisions of this subsection shall survive the expiration or sooner Termination of this Lease.

(C) Landlord or its agents shall not be liable to Tenant for any claims with respect to (a) any death or injury suffered by Tenant or any employee, contractor, licensee, invitee, guest, agent or customer of Tenant (each a "Tenant Party") or any other person, from any causes whatsoever, other than as a result of Landlord's negligence or willful misconduct or damages caused by defects in the Building due to construction, design, materials or labor or (b) any loss or damage or injury to any property within the Premises belonging to Tenant, any Tenant Party or any other person, other than as a result of Landlord's negligence or willful misconduct or damages caused by defects in the Building due to construction, design, materials or labor. In addition, Landlord or its agents shall not be liable for interference with any utility, service, ventilation or any latent defect in the Premises, or any loss or damage for which Tenant is required to insure or resulting from any construction, alterations or repair required or permitted to be performed by Tenant hereunder.

(D) Tenant, at its expense, shall comply with all applicable laws, including, without limitation, any laws relating to any material that is prohibited, limited or regulated as a toxic or hazardous substance, health or environmental hazard or pollutant under any Mexican law ("Hazardous Materials").

Landlord represents and warrants to Tenant that Landlord has no knowledge of any Hazardous Materials with respect to the Premises. Neither Tenant nor any Tenant Party shall use, generate, store, treat, transport, dispose of or release any Hazardous Materials at the Premises other than non-material and non-reportable quantities of Hazardous Materials used in connection with the permitted uses and only if properly and legally used and stored and disposed of at Tenant's cost. Landlord and Tenant each warrant to the other that it is now complying with, and agrees, at all times during the Term of this Lease or any Extension hereof, to comply with those provisions of the social security or such other laws of the municipality and state within which they operate, which require them to provide social security for their workers.

Landlord shall be responsible before Tenant and corresponding authorities for any prior Hazardous Materials, including without limitation underground tanks, that may affect the Premises, caused by activities carried out on the Premises before the Commencement Date, as well as for sanctions, fines, settlements, or expenses levied or caused by any contamination existing prior to the beginning of this Lease, or by acts or omissions by Landlord. Tenant shall be liable before Landlord and any other party and shall hold Landlord free and harmless for all contamination and/or violation of any environmental applicable law that occurs after delivery of the Premises to Tenant while in its possession.

Landlord and Tenant shall defend, indemnify and save the other harmless from any claims, fines, penalties, liabilities, losses, damages, costs and expenses (including reasonable attorney's fees, expert witness fees and other costs of defense) which arise during or after the Term hereof from the indemnifying party's breach of its representations, agreements and warranties contained in this paragraph. Landlord shall defend, indemnify and save Tenant harmless from any claims, fines, penalties, liabilities, losses, damages, costs and expenses (including reasonable attorney's fees, expert witness fees and other costs of

defense) which arise from the presence of Hazardous Materials on the Premises unless such presence is a result of Tenants' actions. Tenant shall defend, indemnify and save Landlord harmless from any claims, fines, penalties, liabilities, losses, damages, costs and expenses (including reasonable attorney's fees, expert witness fees and other costs of defense) which arise from the presence of Hazardous Materials on the Premises unless such presence is a result of Landlord's actions or actions not attributable to Tenant.

14. QUIET ENJOYMENT AND SUBORDINATION

(A) Landlord covenants and agrees that, upon Tenant's performance of all the terms, covenants and conditions hereof on Tenant's part to be performed. Tenant shall have, hold and enjoy the Premises, subject to the terms, covenants and conditions of this Lease.

(B) This Lease is subject and subordinated to any mortgage, deed of trust or deed to secure debt (each a "Mortgage"); any casement agreements; and to any renewals, modifications, extensions, replacements, and substitutions of any of the foregoing, now or hereafter affecting the Premises provided that the holder of such Mortgage agrees: (i) not to disturb, in any manner whatsoever, the possession and all other rights of Tenant as the Tenant of the Premises under the terms of this Agreement; (ii) to comply with all Landlord's obligations hereunder, and (iii) to abide by the terms and conditions of this Agreement. Tenant agrees to recognize such holder or any other person acquiring title to the Premises, provided that all the conditions set forth in this Clause are met. Tenant and Landlord agree to execute and deliver any appropriate instruments necessary to carry out the agreements contained herein; provided however, that such instruments contain a provision whereby the holder of the Mortgage binds itself to comply with the items (i), (ii) and (iii) of this Clause. Landlord shall remain responsible for performance of any construction provided for under this Agreement. This provision shall be self-operative and no further instrument of subordination shall be required. Landlord may assign the rents and its interest in this Lease to the holder of any Mortgage.

15. EVENTS OF DEFAULT. In addition to any other event specified in this Lease as an Event of Default, the occurrence of any one or more of the following events during the Term (each an "Event of Default") shall constitute a breach of this Lease by Tenant, and Landlord may exercise the rights set forth in Section 16 or as otherwise provided at law: (1) Tenant fails to pay any sum payable hereunder within ten (10) days after written notice thereof from Landlord to Tenant; or (2) Tenant fails to perform any of the other covenants terms or conditions of this Lease to be performed by Tenant (other than any monetary default), and, unless expressly provided elsewhere in this Lease, such default shall continue for fifteen (15) days after written notice thereof from Landlord to Tenant, or, in the case of a default which cannot with due diligence be cured within fifteen (15) days, Tenant fails to commence such cure promptly within such fifteen (15) day period and thereafter diligently prosecute such cure to completion; or (3) Tenant or Guarantor files a voluntary petition in bankruptcy or becomes insolvent within the meaning of any applicable bankruptcy code (the "Code"), or a petition is filed against Tenant or Guarantor under the Code and is not dismissed with prejudice within sixty (60) days after filing, or Tenant files any petition or answer seeking reorganization or similar relief under any bankruptcy or other applicable law, or seeks or consents to the appointment of a receiver or other custodian for any substantial part of Tenant's properties or any part of the Premises; or (4) Guarantor shall default beyond any applicable notice and/or grace period under the Guaranty; or (5) the Premises shall be effectively abandoned by Tenant for a period of ten (10) days; or (6) a lien or claim is filed against the Premises arising out of any work performed by or on behalf of Tenant and Tenant fails to discharge such lien or remedy such claim within thirty (30) days after the filing thereof.

Failure by Landlord to observe or perform any covenant, agreement, condition or provision of this Agreement shall constitute an "Event of Default"; provided however; that only if such failure shall continue for thirty (30) calendar days after receipt of written notice from Tenant to Landlord, except that if such Event of Default cannot be cured within such thirty (30) day period, it shall not be considered an Event of Default if Landlord commences to cure the Event of Default within the thirty (30) day period and proceeds diligently thereafter to seek to effect such cure, provided that in a situation requiring immediate response, Tenant need only give Landlord such notice as is practical under the circumstances.

If an Event of Default by Landlord occurs, Tenant shall have the right, but not the obligation, to spend any monies to cure such Event of Default. Additionally, Tenant shall have all rights and remedies available at law, including the right to set off against rental payments the amount required to cure such Event of Default. Upon occurrence of an Event of Default by Landlord, Tenant may also: (i) terminate this Agreement by giving to Landlord not less than thirty (30) calendar days written notice, in which event the Term hereof shall end on the date stated in such notice; or (ii) seek the remedy of specific performance of this Agreement.

16. LANDLORD'S REMEDIES.

Upon the occurrence of an event of default, Landlord may pursue any remedies available to Landlord under the law including, without limitation, the right of specific performance or payment of damages to the extent permitted by law. Upon the occurrence of an event of Default, Landlord may give Tenant written notice of its election to rescind this Lease, whereupon Tenant's right to possession of the Premises shall cease on the day specified therein, and this Lease shall be terminated.

17. HOLDING OVER. If Tenant remains in possession of the Premises after the expiration or other Termination of the Term, then, at Landlord's option. Tenant shall be deemed to be occupying the Premises as a non-fixed Term ("*tácita reconducción*") Tenant pursuant to law, at a monthly rental equal to the one and a quarter (1.25) times the monthly rent (including, without limitation, CPI charges) payable hereunder during the last month of the Term, along with value added tax. Tenant shall defend, indemnify and hold Landlord harmless from and against all claims, losses and liabilities for damages resulting from failure to surrender possession upon the Expiration Date or sooner termination of the Term, and such obligations shall survive the expiration or sooner Termination of this Lease.

18. NOTICES. All notices given hereunder shall be (i) in writing and delivered by an overnight courier service to Landlord's Notice Address or Tenant's Notice Address, as applicable, (ii) given by an internationally recognized overnight courier or by facsimile, and (iii) deemed to be given two days after delivery to the overnight courier (if delivery is international) or one day after delivery to the courier if delivery is within the United States, or upon receipt of confirmation with respect to facsimile delivery. Either party may designate a different notice address at any time and any notice given hereunder shall be effective if delivered by counsel for either party in accordance with this Section.

19. BROKER. Each party represents and warrants to the other that it has not dealt with any broker in connection with the negotiation and/or execution of this Lease other than Cushman & Wakefield, the commission of which shall be paid by Tenant pursuant to a separate written agreement. Tenant shall defend, indemnify and hold Landlord harmless from and against any and all liability, loss, damage, expense, claim, action, demand, suit or obligation arising out of or relating to any claim by Cushman & Wakefield with respect the transaction contemplated hereby. Each party shall defend, indemnify and hold the other harmless from and against any and all liability, loss, damage, expense, claim, action, demand, suit or obligation arising out of or relating to a breach by such party of the foregoing representations and such obligations shall survive the expiration or sooner termination of this Lease.

20. FORCE MAJEURE. Any obligation of Landlord which is delayed or not performed due to acts of God, strike, riot, shortages of labor or materials in the market as a whole, war, acts of terrorism, governmental laws or action, or lack thereof, or any other causes beyond Landlord's reasonable control (each

a “Force Majeure”), shall not constitute a default hereunder and shall be performed within a reasonable time after the end of such cause for delay or nonperformance.

21. LANDLORD’S RIGHT TO PERFORM TENANT’S OBLIGATIONS.

Should Tenant, at any time, fail to perform any one or more of its obligations under this Lease, Landlord, after ten (10) calendar days written notice to Tenant (or without notice in the case of an emergency) and without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may, but shall be under no obligation to, perform any act on Tenant’s part to be performed as provided herein, and may enter upon the Premises for that purpose and take all such actions as may be necessary. All sums paid by Landlord and all costs and expenses incurred by Landlord in connection with the performance of any such obligations of Tenant, shall be paid by Tenant within ten (10) calendar days from the date Landlord requests same.

22. TENANT’S RIGHT TO PERFORM LANDLORD’S OBLIGATIONS.

Should Landlord, at any time, fail to perform any one or more of its obligations under this Lease, Tenant, after ten (10) calendar days written notice to Landlord (or without notice in the case of an emergency) and without waiving or releasing Landlord from any obligation of Landlord contained in this Lease, may, but shall be under no obligation to, perform Landlord’s obligations as provided herein, and may take all such actions as may be necessary. All sums paid by Tenant and all costs and expenses incurred by Tenant in connection with the performance of any such obligations of Landlord, shall be paid by Landlord within ten (10) calendar days from the date Tenant requests same, or Tenant may deduct such amount from future rental payments.

23. PENALTIES FOR LATE DELIVERY OF BUILDING.

If Pre-Completion of the Building has not occurred on the Pre-Completion Date, Landlord shall pay Tenant a penalty equal to two (2) days of the base rent for each day after the Pre-Completion Date and until the actual occurrence of Pre-Completion. The foregoing penalty shall not apply in the event the Premises is not delivered in the agreed upon date due to acts of God or force majeure.

If Substantial Completion has not occurred by the Substantial Completion Date, once the Commencement Date occurs, Landlord shall grant one (1) day free rent for each day of delay from the Substantial Completion Date until the Commencement Date.

If the Commencement Date has not occurred within thirty (30) days after the Substantial Completion Date, Landlord shall grant two (2) days free rent for each day between the Substantial Completion Date and actual Commencement Date. If the Commencement Date has not occurred within sixty (60) days after the Substantial Completion Date, Landlord shall grant four (4) days free rent for each day between the Substantial Completion Date and actual Commencement Date.

If the Commencement Date has not occurred within eighty (80) days after the Substantial Completion Date, Tenant shall have the right to elect, at its sole discretion, between the following options (i) to receive from Landlord the payment of an amount equivalent to one year’s rent; or (ii) to proceed with the foreclosure of the bonds referred to in Section 5(K) hereof. Additionally, Tenant shall have the right to terminate this Lease upon ten (10) days’ notice. Effective upon Termination, Tenant shall have no obligations pursuant to this Lease.

24. LANDLORD’S RESPONSIBILITIES FOR ITS PERSONNEL.

(A) Landlord agrees and acknowledges that there shall be no labor relationship between Tenant and any personnel directly or indirectly involved in any kind of activities contemplated under this Lease. Landlord shall indemnify and hold harmless Tenant from any claims and lawsuits brought against Tenant, including “Substitute Employer” claims or lawsuits by (i) any personnel employed, directly or indirectly, by the Landlord in the Premises; or (ii) any governmental entity.

(B) Landlord’s responsibilities for labor claims or lawsuits include any obligation derived from all of Mexico and the State of Tamaulipas, including without limitation the following the Federal Labor Law, Social Security Law, INFONAVIT Law, Income Tax Law, and State and Federal Payroll Tax Laws. Landlord’s obligations under these provisions shall extend to any subcontractor hired by Landlord to perform any work contemplated herein and shall survive the termination of this Lease.

25. CONFIDENTIALITY.

Any specifications, drawings, sketches, diagrams, computer or other apparatus programs, manuals, technical or business information or property records or data, including methods and concepts provided by Tenant for Landlord under this Agreement, for the preparation of the drawings; and specifications of the Premises or otherwise (“Information”), if any, shall be held in confidence by Landlord and shall not be published or otherwise disclosed without Tenant’s written permission, unless such information was previously known to Landlord, free of any obligation to accept it in confidence or has been or is subsequently made public by Tenant to a third party. Additionally, Landlord shall request from all of their contractors or subcontractors a confidentiality agreement as to the [ILLEGIBLE] whereby such contractors or subcontractors assume the obligations contained in this Clause.

26. SECURITY DEPOSIT. Tenant shall deposit the Security Deposit with a financial institution in an account of Landlord to be designated by Landlord upon signing this Lease (the “Security Account”). Landlord shall be required to segregate the Security Deposit from the other funds of Landlord and maintain the Security Deposit in the account together with all interest accrued thereon until the Security Deposit is applied or returned in accordance with the terms hereof. The Security Account shall be an interest bearing account offering the highest yield generally available for deposits similar in amount to the Security Deposit. Landlord shall instruct the financial institution maintaining the Security Account to deliver a copy of the account statements regarding the Security Account to Tenant. Any balance shown in the Account, whether or not resulting from the deposit of the Security Deposit or the reinvestment interest accrued thereunder, shall become a part of the Security Deposit and may not be disposed of by Landlord except if disposed of in accordance with the terms of this Lease. All interest or any other return resulting from the deposit of the Security Deposit in the Security Account minus any applicable expenses resulting from the account fees payable for the maintenance of the Security Account and income tax derived from interest payments thereunder, if any, shall be reinvested in the Security Account (and hence bear interest) any such amount to be considered as a part of the Security Deposit subject to the terms and conditions set forth in the Lease). If Tenant does not fulfill any of its obligations under the Lease, Landlord may apply the Security Deposit on account of such obligation or to reimburse Landlord for any sum which Landlord may expand due to Tenants default. If Landlord applies any part of the Security Deposit, Tenant, immediately after written notice from Landlord, shall deposit with Landlord the amount so applied so that Landlord shall have the full Security Deposit available at all times during the Term. If Tenant complies with all the terms, covenants and conditions of this Lease, the Security Deposit (or any balance thereof, including ancillary amounts thereto) shall be returned to Tenant, together with interest accrued thereon, not later than thirty (30) days after the Expiration Date and delivery of possession of the entire Premises to Landlord.

27. MISCELLANEOUS.

- (A) Any of the parties’ failure to exercise their rights with respect to a breach of any term, covenant or condition examined herein shall not be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition contained herein.
- (B) If either party brings an action against the other, the prevailing party may recover court costs and attorneys’ fees and disbursements in such amount as the court or administrative body deems reasonable. The parties shall also be entitled to recover attorneys’ fees and disbursements incurred in connection with a Tenant default hereunder which does not result in the commencement of any action or proceeding.
- (C) Tenant acknowledges that it has not relied on any representations or agreements except those expressed herein, and that this Lease contains the entire agreement of the parties. No modification of the Lease shall be binding or valid unless in writing and executed and delivered by both parties and Tenant shall not record this Lease or a memorandum hereof without Landlord’s prior written consent. Except as otherwise specifically provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of such of the parties hereto.
- (D) The submission of this document for review does not constitute an option, offer an agreement to lease space. This document shall be effective only upon Landlords and Tenants execution and Landlord’s delivery of same to Tenant. Except as expressly contained herein neither Landlord nor Landlord’s agent has made representations, warranties or promises with respect to the Premises on this Lease. Landlord and Tenant each acknowledge that each has been represented by independent counsel and has executed this Lease after being fully advised by said counsel as to its effect and significance.
- (E) This Lease shall be construed in accordance with the laws of the State of Tamaulipas. Unless herein waived. Landlord and Tenant acknowledge that all of the applicable statutes of such date are superimposed on the rights, duties and obligations of Landlord and Tenant hereunder.
- (F) Where Tenant is required by this Lease to pay any sum of money or to do any act within an indicated period or by a particular date, it is understood that time is of the essence.
- (G) If any term or provision of this Lease shall, to any extent, be illegal, invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and all other terms and provisions of this Lease shall be valid and enforceable to the fullest extent permitted by law.

28. ARBITRATION.

- (a) All disputes among the parties arising from this Agreement shall be attempted to be settle by the parties in good faith. If a dispute among the parties with regard to this Agreement is not settled by Agreement within ten (10) calendar days of service of notice, such matter shall be finally and conclusively settled by arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce (“I.C.C.”).
- (b) The party seeking arbitration shall notify the other party in writing, naming one arbitrator to represent it. The other party shall select an arbitrator within twenty (20) calendar days from receipt or the arbitration request. Should the other party fail to select an arbitrator as specified above, then the arbitrator appointed by the party seeking arbitration shall be the sole arbitrator of the dispute. Should both parties select one arbitrator, then the two arbitrators shall select a third arbitrator. Should the arbitrators selected by the parties fail to agree on the other arbitrator to be selected, as specified above, then the third arbitrator shall be appointed by the President of the I.C.C., and such appointment shall be binding on the parties. The arbitration shall be held in Matamoros, Tamaulipas and conducted in the English language.
- (c) The decisions of the arbitrators shall be adopted by numerical majority, and such decisions shall in all cases be final and binding on the parties. Each party shall pay the costs and expenses of the arbitrator appointed by it and the costs and expenses of the other arbitrator(s) shall be shared equally by the parties. If only one arbitrator is appointed due to the other parties’ failure to select an arbitrator, the parties shall share equally in the sole arbitrator’s costs and expenses.
- (d) Each party shall be responsible for paying its own attorney’s fees.
- (e) The parties hereto agree to submit to such arbitration and that the competent courts of Matamoros, State of Tamaulipas, Mexico, shall have jurisdiction to enforce the arbitration award.

29. TRANSLATION. This Lease has been prepared in English and a Spanish version will be prepared. If any controversy arises with respect to the interpretation of this agreement, the English version shall control.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date set forth above.

INMOBILIARIA AYUSA, S. de R.L. de C.V.,
Landlord

/s/ Pablo Vivanco

Name: Pablo Vivanco

Title: Legal representative

LUCENT TECHNOLOGIES
MICROELECTRONICA DE MEXICO, S.A.
DE C.V.,
Tenant

/s/ Edmundo Elias-Fernandez

Name: Edmundo Elias-Fernandez

Title: Attorney-in-fact

EXHIBIT A

Certificate of use of land of the Premises

[In Spanish]

EXHIBIT B

Certificate of freedom from liens and encumbrances

[In Spanish]

EXHIBIT C

Term Confirmation Letter

Execution copy
June 29, 2000

Date:

Re: Lease agreement (the "Lease") dated , , between ("Landlord") and ("Tenant")
Premises:

The undersigned hereby confirm as of the date set forth above, the following:

1. Tenant has accepted possession of the Premises on , 200 and is currently occupying same.

2. The Commencement Date and Expiration Date, as each is defined in the Lease, are as follows:

Commencement Date: , .

Expiration Date: , .

3. The obligation to commence the payment of rent commenced or will commence on , 200 .

4. All construction, alterations and improvements required to be performed by Landlord pursuant to the Terms of the Lease to cause Substantial Completion (as defined in the Lease) have been satisfactorily completed, except for the punch list items referenced in Section 5 of the Lease.

Landlord:

By:

Title:

Tenant:

By:

Title:

EXHIBIT D

GUARANTY OF LEASE

EXECUTION COPY

June 15, 2000

GUARANTY OF LEASE

In consideration of, and as an inducement to Inmobiliaria Ayusa, S. de R.L. de C.V. ("LESSOR") to enter that certain Lease Agreement of even date herewith (the "Lease") with Lucent Technologies Microelectronica de Mexico, S.A. de C.V. ("LEASEE") for all of the premises having a street address of Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico, and in further consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, jointly and severally, (collectively, "Guarantor"), hereby guarantees absolutely and unconditionally, to Lessor the full and prompt payment, in United States Dollars, of all payment obligations of Lessee to Lessor under the Lease, including without limitation, all rental payments, and all damages, liquidated or other, resulting from any breach of Lessee, together with any and all costs and expenses (including without limitation reasonable attorney's fees) incurred in the enforcement of Lessee's obligations under the Lease and full and prompt performance of all terms, covenants, conditions and agreements to be performed and observed by Lessee under the Lease and any and all amendments, modifications and other instruments relating thereto, whether now or hereafter existing, and the full and prompt payment of all damages, costs and expenses which shall at any time be recoverable by Lessor from Lessee by virtue of the Lease and any amendments, modifications and other instruments relating thereto (hereinafter called "Liabilities of Lessee"); and Guarantor hereby covenants and agrees to and with Lessor, its successors and assigns, that if Lessee, its successors and assigns, shall default at any time in the payment of Rent Payments (as defined in the Lease) or any other sums or charges payable by Lessee under the Lease or in the performance of any of the terms, covenants, provisions or conditions contained in the Lease, Guarantor will forthwith pay to Lessor, its successors and assigns, such Rent Payments and other sums and charges and will forthwith faithfully perform and fulfill all of such terms, covenants, conditions and provisions of the Lease and will forthwith pay to Lessor all damages that may arise in consequence of any such default by Lessee.

Guarantor agrees that, with or without notice or demand, Guarantor will reimburse Lessor to the extent that such reimbursement is not made by Lessee, for all expenses (including reasonable attorneys' fees and disbursements) incurred by Lessor in connection with any default by Lessee under the Lease and/or any default by Guarantor under this Guaranty.

All moneys available to Lessor for application in payment or reduction of the Liabilities of Lessee may be applied by Lessor, in such manner and in such amounts and at such time or times as it may see fit, to the payment or reduction of such of the Liabilities of Lessee as Lessor may elect.

This Guaranty shall be a continuing guaranty, and the liability of the Guarantor hereunder shall in no way be affected, modified or diminished by reason that any security for the Liabilities of Lessee is exchanged, surrendered or released or the Lease or any other obligation of Lessee is changed, altered, renewed, extended, continued, surrendered, compromised, waived, or released in whole or in part, or that any default with respect thereto is waived, whether or not notice thereof is given to Guarantor, and it is understood and agreed that Lessee may fail to set-off and may release, in whole or in part, any credit on its books in favor of Lessee, and may extend further credit in any manner whatsoever to Lessee, and generally deal with Lessee or any such security as Lessor may see fit; and Guarantor shall remain bound under this Guaranty notwithstanding any such exchange, surrender, release, change, alteration, renewal, extension, continuance, compromise, waiver, inaction, extension of further credit or other dealing.

Notwithstanding any provision to the contrary contained herein, Guarantor hereby unconditionally and irrevocably waives (a) any and all rights of subrogation to the claims, whether existing now or arising hereafter, Lessor may have against Lessee, but only until such time as the Liabilities of Lessee shall have been fully discharged, and (b) any and all rights of reimbursement, contribution or indemnity against Lessee which may have heretofore arisen or may hereafter arise in connection with any guaranty or pledge or grant of any lien or security interest made in connection with the Lease. Guarantor hereby acknowledges that the waiver contained in the preceding sentence (the "Subrogation Waiver") is given as an inducement to Lessor to enter into the Lease and, in consideration of Lessor's willingness to enter into the Lease, Guarantor agrees not to amend or modify in any way the Subrogation Waiver without Lessor's prior written consent. If any amount shall be paid to Guarantor by Lessee on account of any claim set forth at any time when all the Liabilities of Lessee shall not have been paid in full, such amount shall be held in trust by Guarantor for Lessor's benefit, shall be segregated from the other funds of Guarantor and shall forthwith be paid over to Lessor to be applied in whole or in part by Lessor against the Liabilities of Lessee, whether matured or unmatured. Nothing herein contained is intended or shall be construed to give to Guarantor any rights of subrogation or right to participate in any way in Lessor's right, title or interest in the Lease, notwithstanding any payments made by Guarantor to or toward any payments due from Guarantor under this Guaranty, all such rights of subrogation and participation being hereby waived and released.

Guarantor hereby expressly waives (a) notice of acceptance of this Guaranty; (b) presentment and demand for payment of any of the Liabilities of Lessee; (c) protest and notice of dishonor or default to Guarantor or to any other party with respect to any of the Liabilities of Lessee; (d) all other notice to which Guarantor might otherwise be entitled, and (e) any demand for payment under this Guaranty; and Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of the Guarantor hereunder shall not be terminated, affected or impaired by reason of the assertion or the failure to assert by Lessor against Lessee, or Lessee's successors and assigns, of any of the rights or remedies reserved to Lessor pursuant to provisions of the Lease.

This is an absolute and unconditional guaranty of payment and not of collection and Guarantor further waives any right to require that any action be brought against Lessee or any other person or entity or to require that resort be had to any security or to any balance of any deposit account or credit on the books of Lessor in favor of Lessee or, any other person or entity. Successive recoveries may be had hereunder. No invalidity, irregularity or unenforceability of all or any part of the Lease shall affect, impair or be a defense to this Guaranty and this Guaranty shall constitute a primary obligation of the undersigned.

Each reference herein to Lessor shall be deemed to include its successors and assigns, in whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

No delay on Lessor in exercising any rights hereunder or failure to exercise the same shall operate as waiver of such rights; no notice to or demand on Guarantor shall be deemed to be a waiver of the obligation of Guarantor or of the right of Lessor to take further action without notice or demand as provided herein; nor in any event shall any modification or waiver of the provisions of this Guaranty nor any termination hereof be effective unless in writing signed by Lessor, nor shall any waiver be applicable except in the specific instance for which given.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if any payment of Guarantor on account of the Liabilities of Lessee must be returned by Lessor upon the insolvency, bankruptcy or reorganization of Lessee, Guarantor, or otherwise, as though such payment had not been made.

This Guaranty is, and shall be deemed to be, a contract entered into under and pursuant to the laws of the State of Texas and shall be in all respects governed, construed, applied and enforced in accordance with the laws of such State; and no defense given or allowed by the laws of any other State or Country shall be interposed in any action or proceeding hereon unless such defense is also given or allowed by the laws of the State of Texas. In any action or proceeding arising out of this Guaranty, Guarantor agrees to submit to personal jurisdiction in the State of Texas. Guarantor hereby appoints Corporation Services Company Doing Business As CSC-Lawyers Incorporating Service Company as its agent for service of process in any such action or proceeding. Guarantor agrees to pay all costs and expenses, including, without limitation, reasonable attorneys' fees, which are incurred by Lessor in the enforcement of this Guaranty.

Guarantor hereby represents, warrants and covenants to Lessor that:

1. Guarantor is a corporation duly organized and validly existing, under and in full compliance with the laws of the State of Delaware.
2. Guarantor has full legal rights, power and authority to execute and deliver this Guaranty Agreement and perform its obligations hereunder.
3. Guarantor has taken all appropriate and necessary corporate action to authorize the execution and delivery of this Guaranty Agreement.
4. This Guaranty Agreement constitutes the legal, valid and binding obligation of the Guarantor. The execution, delivery and performance of the Guaranty Agreement and the payment of all amounts due on the date and in the currency provided for in the Guaranty (i) will not violate any provision of law or other governmental directive having the force of law, (ii) will not contravene any governmental guideline or policy statement applicable to Guarantor, (iii) will not conflict with the articles of Incorporation and by-laws of the Guarantor and (iv) will not conflict with or result in the breach of any provision of any agreement to which the Guarantor is a party or by which it or any of its properties and assets are bound, and (v) will not constitute a default or any event which with the passage of time or giving of notice, or both, would constitute a default under any such agreement.
5. All registrations with, and all approvals of any governmental authority necessary for the valid execution, delivery, performance and enforceability of this Guaranty Agreement, have been obtained and are in full force and effect.
6. Guarantor has notice that (i) International Bank of Commerce ("Bank") provided financing for construction and/or improvements of the Lease premises, (ii) Lessor has agreed to, and will, assign to Bank Lessor's rights to and interest in the rental payments and other obligations of Lessee under the Lease, and in this Guaranty of lease, and (iii) Bank is relying on this Guaranty of Lease in providing the financing to Lessor.
7. The Guarantor expressly assumes all defaults by Lessee due to acts of God, Government, strike, riot, and other civil commotions ("Country Risk") as well as, all business risks associated with the conduct and operation of Lessee's business on the leased premises. Guarantor expressly waives any right to claim as defense to fulfillment of its obligations hereunder, the occurrence of the aforementioned acts.

This Guaranty may be executed in one or more counterparts, each of which counterparts shall be an original. If Guarantor is a corporation, partnership, joint venture or unincorporated association, each individual executing this Guaranty on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Guaranty on behalf of such entity and that this Guaranty is binding upon such entity in accordance with its terms.

All of the Lessor's rights and remedies under the Lease or under this Guaranty are intended to be distinct, separate and cumulative and no such right and remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any of the others.

This Guaranty shall not be affected by any assignment of the Lease by Lessee.

Any notices which either party herein may desire to give to the other shall be made in writing and shall be given by certified or registered mail, postage prepaid, return receipt requested, or by a nationally recognized overnight courier or by facsimile and

shall be deemed to be given on the third (3rd) business day after the date of posting in a United States Post Office or branch post office or one day after delivery to the overnight courier or upon receipt of confirmation if by facsimile, and shall be delivered to Lessor, at No. 28 San Carlos, Col. Alianza, H. Matamoros, Tamaulipas, Mexico, 87410, with a copy to Reynolds and Rose, 34

S. Broadway, White Plains, NY 10601. Notices for Guarantor(s) shall be sent to the address(es) set forth below. Either party may, by notice as aforesaid actually received, designate a different address or addresses for communications intended for it.

(a) ANY AND ALL CONTROVERSIES BETWEEN THE PARTIES SHALL BE RESOLVED BY ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION IN EFFECT AT THE TIME OF FILING, UNLESS THE COMMERCIAL ARBITRATION RULES CONFLICT WITH THIS PROVISION, AND IN SUCH EVENT THE TERMS OF THIS PROVISION SHALL CONTROL TO THE EXTENT OF THE CONFLICT, ANY ARBITRATION HEREUNDER SHALL BE BEFORE AT LEAST THREE NEUTRAL ARBITRATORS ASSOCIATED WITH THE AMERICAN ARBITRATION ASSOCIATION AND SELECTED IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION.

(b) FAILURE OF ANY ARBITRATOR TO DISCLOSE ALL FACTS WHICH MIGHT TO AN OBJECTIVE OBSERVER CREATE A REASONABLE IMPRESSION OF THE ARBITRATOR'S PARTIALITY, AND/OR MATERIAL ERRORS OF LAW SHALL BE GROUNDS [IN ADDITION TO ALL OTHERS] FOR VACATUR OF AN AWARD RENDERED PURSUANT TO THIS AGREEMENT, THE AWARD OF THE ARBITRATORS, OR MAJORITY OF THEM, SHALL BE FINAL, AND JUDGMENT UPON THE AWARD RENDERED MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION. THE ARBITRATION AWARD SHALL BE IN WRITING AND SPECIFY THE FACTUAL AND LEGAL BASES FOR THE AWARD. UPON THE REQUEST OF ANY PARTY, THE AWARD SHALL INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW.

(c) ARBITRABLE DISPUTES INCLUDE ANY AND ALL CONTROVERSIES OR CLAIMS BETWEEN THE PARTIES OF WHATEVER TYPE OR MANNER, INCLUDING WITHOUT LIMITATION, ANY CLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY, ALL PAST, PRESENT AND/OR FUTURE CREDIT FACILITIES AND/OR AGREEMENTS INVOLVING THE PARTIES, ANY TRANSACTIONS BETWEEN OR INVOLVING THE PARTIES, AND/OR ANY ASPECT OF ANY PAST OR OTHERWISE, SPECIFICALLY INCLUDING ANY ALLEGED TORT COMMITTED BY ANY PARTY.

(d) THE PARTIES SHALL ALLOW AND PARTICIPATE IN DISCOVERY IN ACCORDANCE WITH THE FEDERAL RULES OF CIVIL PROCEDURE FOR A PERIOD OF ONE HUNDRED TWENTY (120) DAYS AFTER THE FILING OF THE ORIGINAL RESPONSIVE PLEADING. DISCOVERY MAY CONTINUE THEREAFTER AS AGREED BY THE PARTIES OR AS ALLOWED BY THE ARBITRATORS. UNRESOLVED DISCOVERY DISPUTES SHALL BE BROUGHT TO THE ATTENTION OF THE ARBITRATORS BY WRITTEN MOTION FOR PROPER DISPOSITION, INCLUDING RULING ON ANY ASSERTED OBJECTIONS, PRIVILEGES, PROTECTIVE ORDER REQUESTS AND AWARDING REASONABLE ATTORNEY'S FEES TO THE PREVAILING PARTY.

(e) IN THE EVENT AGGREGATE OF ALL AFFIRMATIVE CLAIMS ASSERTED EXCEED \$500,000.00, EXCLUSIVE OF INTEREST AND ATTORNEY'S FEES, OR UPON THE WRITTEN REQUEST OF ANY PARTY, (1) PRIOR TO THE DISSEMINATION OF A LIST OF POTENTIAL ARBITRATORS, THE AMERICAN ARBITRATION ASSOCIATION SHALL CONDUCT AN IN PERSON ADMINISTRATIVE CONFERENCE WITH THE PARTIES AND THEIR ATTORNEYS FOR THE FOLLOWING PURPOSES AND FOR SUCH ADDITIONAL PURPOSES AS THE PARTIES OR THE AMERICAN ARBITRATION ASSOCIATION MAY DEEM APPROPRIATE, (A) TO OBTAIN ADDITIONAL INFORMATION ABOUT THE NATURE AND MAGNITUDE OF THE DISPUTE AND THE ANTICIPATED LENGTH OF HEARINGS AND SCHEDULING; (B) TO DISCUSS THE VIEW OF THE PARTIES ABOUT TECHNICAL AND OTHER QUALIFICATIONS OF THE ARBITRATORS; AND (C) TO CONSIDER, WHETHER MEDIATION OR OTHER METHODS OF DISPUTE RESOLUTION MIGHT BE APPROPRIATE, AND (2) AS PROMPTLY AS PRACTICABLE AFTER THE SELECTION OF THE ARBITRATORS, A PRELIMINARY HEARING SHALL BE HELD AMONG THE PARTIES, THEIR ATTORNEYS AND THE ARBITRATORS. WITH THE AGREEMENT OF THE ARBITRATORS AND THE PARTIES, THE PRELIMINARY HEARING MAY BE CONDUCTED BY TELEPHONE

CONFERENCE CALL RATHER THAN IN PERSON. AT THE PRELIMINARY HEARING THE MATTERS THAT MAY BE CONSIDERED SHALL INCLUDE, WITHOUT LIMITATION, A PREHEARING SCHEDULING ORDER ADDRESSING (A) SERVICE OF A DETAILED STATEMENT OF CLAIMS, DAMAGES AND DEFENSES, A STATEMENT OF THE ISSUES ASSERTED BY EACH PARTY AND POSITIONS WITH RESPECT THERETO, AND ANY LEGAL AUTHORITIES THE PARTIES MAY WISH TO BRING TO THE ATTENTION OF THE ARBITRATORS; (B) RESPONSES AND/OR REPLIES TO THE PLEADINGS FILED IN COMPLIANCE WITH SUBPART (A); (C) STIPULATIONS REGARDING ANY UNCONTESTED FACTS; (D) EXCHANGE AND PREMARKING OF THOSE DOCUMENTS WHICH EACH PARTY BELIEVES MAY BE OFFERED AT THE FINAL ARBITRATION HEARING; (E) THE IDENTIFICATION AND AVAILABILITY OF WITNESS, INCLUDING EXPERTS, AND SUCH MATTERS WITH RESPECT TO WITNESSES INCLUDING THEIR BIOGRAPHIES AND A SHORT SUMMARY OF THEIR EXPECTED TESTIMONY, (F) WHETHER A STENOGRAPHIC OR OTHER OFFICIAL RECORD OF THE PROCEEDINGS SHALL BE MAINTAINED; AND (G) THE POSSIBILITY OF UTILIZING MEDIATION OR OTHER NON- ADJUDICATIVE METHODS OF DISPUTE RESOLUTION

(f) FOR PURPOSES OF THIS PROVISION, "THE PARTIES" MEANS GUARANTOR AND BANK, AND EACH AND ALL PERSONS AND ENTITIES SIGNING THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN OR AMONG ANY OF THE PARTIES AS PART OF THIS TRANSACTION, AND ALL

SUBSTITUTES FOR THE PARTIES. "THE PARTIES" SHALL ALSO INCLUDE INDIVIDUAL PARTNERS, AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND/OR REPRESENTATIVES OF ANY PARTY TO SUCH DOCUMENTS, AND SHALL INCLUDE ANY OTHER OWNER AND HOLDER OF THIS AGREEMENT.

(g) THE PARTIES SHALL HAVE THE RIGHT TO INVOKE SELF- HELP REMEDIES (SUCH AS SET-OFF, NOTIFICATION OF ACCOUNT DEBTORS, SEIZURE AND/OR FORECLOSURE OF COLLATERAL, AND NON-JUDICIAL SALE OF PERSONAL PROPERTY AND REAL PROPERTY COLLATERAL) BEFORE, DURING OF AFTER ANY ARBITRATION AND/OR REQUEST ANCILLARY OR PROVISIONAL JUDICIAL REMEDIES (SUCH AS GARNISHMENT, ATTACHMENT, SPECIFIC PERFORMANCE, RECEIVER, INJUNCTION OR RESTRAINING ORDER, AND SEQUESTRATION) BEFORE OR AFTER ANY ARBITRATION, THE PARTIES NEED NOT AWAIT THE OUTCOME OF THE ARBITRATION BEFORE USING SELF-HELP REMEDIES. USE OF SELF-HELP OR ANCILLARY AND/OR PROVISIONAL' JUDICIAL REMEDIES SHALL NOT OPERATE AS A WAIVER OF EITHER PARTY'S RIGHT TO COMPEL ARBITRATION, ANY ANCILLARY OR PROVISIONAL REMEDY WHICH WOULD BE AVAILABLE FROM A COURT AT LAW SHALL BE AVAILABLE FROM THE ARBITRATORS.

(h) THE PARTIES AGREE THAT ANY ACTION REGARDING ANY CONTROVERSY BETWEEN THE PARTIES SHALL EITHER BE BROUGHT BY ARBITRATION, AS DESCRIBED HEREIN, OR BY JUDICIAL PROCEEDINGS, BUT SHALL NOT BE PURSUED SIMULTANEOUSLY IN DIFFERENT OR ALTERNATIVE FORMS. A TIMELY WRITTEN NOTICE OF INTENT TO ARBITRATE PURSUANT TO THIS AGREEMENT STAYS AND/OR ABATES ANY AND ALL ACTION IN A TRIAL COURT, SAVE AND EXCEPT A HEARING ON A MOTION TO COMPEL ARBITRATION AND STAYING AND/OR ABATES ANY AND ALL ACTION IN A TRIAL COURT. SAVE AND EXCEPT A HEARING ON A MOTION TO COMPEL ARBITRATION AND/OR THE ENTRY OF AN ORDER COMPELLING ARBITRATION AND STAYING AND/OR ABATING THE LITIGATION PENDING THE FILING OF THE FINAL AWARD OF THE ARBITRATORS, ALL REASONABLE AND NECESSARY ATTORNEYS FEES AND ALL TRAVEL COSTS SHALL BE AWARDED TO THE PREVAILING PARTY ON ANY MOTION TO COMPEL ARBITRATION AND MUST BE PAID TO SUCH PARTY WITHIN TEN (10) DAYS OF THE SIGNING OF THE ORDER COMPELLING ARBITRATION.

(i) ANY AGGRIEVED PARTY SHALL SERVE A WRITTEN NOTICE OF INTENT TO ARBITRATE TO ANY AND ALL OPPOSING PARTIES WITHIN 360 DAYS AFTER DISPUTE HAS ARISEN. A DISPUTE IS DEFINED TO HAVE ARISEN ONLY UPON RECEIPT OF SERVICE OF JUDICIAL PROCESS, INCLUDING SERVICE OF A COUNTERCLAIM, FAILURE TO SERVE A WRITTEN NOTICE OF INTENT TO ARBITRATE WITHIN THE TIME SPECIFIED ABOVE SHALL

BE DEEMED A WAIVER OF THE AGGRIEVED PARTY'S RIGHT TO COMPEL ARBITRATION OF SUCH CLAIM, THE ISSUE OF WAIVER PURSUANT TO THIS AGREEMENT IS AN ARBITRABLE DISPUTE.

(j) ACTIVE PARTICIPATION IN PENDING LITIGATION DURING THE 360 DAY NOTICE PERIOD, WHETHER AS PLAINTIFF OR DEFENDANT, IS NOT A WAIVER OF THE RIGHT TO COMPEL ARBITRATION. ALL DISCOVERY OBTAINED IN THE PENDING LITIGATION MAY BE USED IN ANY SUBSEQUENT ARBITRATION PROCEEDING.

(k) THE PARTIES FURTHER AGREE THAT (i) NO ARBITRATION PROCEEDING HEREUNDER SHALL BE CERTIFIED AS A CLASS ACTION OR PROCEED AS A CLASS ACTION, OR ON A BASIS INVOLVING CLAIMS BROUGHT IN A PURPORTED REPRESENTATIVE CAPACITY ON BEHALF OF THE GENERAL PUBLIC, OTHER CUSTOMERS OR POTENTIAL CUSTOMERS OR PERSONS SIMILARLY SITUATED AND (ii) NO ARBITRATION PROCEEDING HEREUNDER SHALL BE CONSOLIDATED WITH, OR JOINED IN ANY WAY WITH, ANY OTHER ARBITRATION PROCEEDING

(l) ANY ARBITRATOR SELECTED SHALL BE KNOWLEDGEABLE IN THE SUBJECT MATTER OF THE DISPUTE. EACH OF THE PARTIES SHALL PAY AN EQUAL SHARE OF THE ARBITRATION COSTS, FEES, EXPENSES, AND OF THE ARBITRATORS' FEES. COSTS AND EXPENSES.

(m) ALL STATUTES OF LIMITATIONS WHICH WOULD OTHERWISE BE APPLICABLE SHALL APPLY TO ANY AND ALL CLAIMS ASSERTED IN ANY ARBITRATION PROCEEDING HEREUNDER AND THE COMMENCEMENT OF ANY ARBITRATION PROCEEDING TOLLS SUCH STATUTES OF LIMITATIONS.

(n) IN ANY ARBITRATION PROCEEDING SUBJECT TO THIS PROVISION, THE ARBITRATORS, OR MAJORITY OF THEM, ARE SPECIFICALLY EMPOWERED TO DECIDE (BY DOCUMENTS ONLY, OR WITH A HEARING, AT THE ARBITRATORS' SOLE DISCRETION) PRE-HEARING MOTIONS WHICH ARE SUBSTANTIALLY SIMILAR TO PRE-HEARING MOTIONS TO DISMISS AND MOTIONS FOR SUMMARY ADJUDICATION.

(o) THIS ARBITRATION PROVISION SHALL SURVIVE ANY TERMINATION, AMENDMENT, OR EXPIRATION OF THE AGREEMENT IN WHICH THIS PROVISION IS CONTAINED, UNLESS ALL OF THE PARTIES OTHERWISE EXPRESSLY AGREE IN WRITING.

(p) THE PARTIES ACKNOWLEDGE THAT THIS AGREEMENT EVIDENCES A TRANSACTION INVOLVING INTERSTATE COMMERCE, THE FEDERAL ARBITRATION ACT SHALL GOVERN THE INTERPRETATION, ENFORCEMENT, AND PROCEEDINGS PURSUANT TO THE ARBITRATION CLAUSE OF THIS AGREEMENT.

(q) THE ARBITRATORS, OR A MAJORITY OF THEM SHALL AWARD ATTORNEY'S FEES AND COSTS TO THE PREVAILING PARTY PURSUANT TO THE TERMS OF THIS AGREEMENT.

(r) NEITHER THE PARTIES NOR THE ARBITRATORS MAY DISCLOSE THE EXISTENCE, CONTENT, OR RESULTS OF ANY ARBITRATION HEREUNDER WITHOUT PRIOR WRITTEN CONSENT OF ALL PARTIES AND/OR COURT ORDER.

(s) VENUE OF ANY ARBITRATION PROCEEDING HEREUNDER SHALL BE IN WEBB COUNTY, TEXAS.

NO ORAL AGREEMENTS

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the day of 20th, day of June 2000.

By: /s/ CE Hafer
EIN/Social Security Number:
Guarantor Notice Address:
Lucent Technologies, Inc.
2333 Ponce De Leon Blvd.
Coral Gables, FL 33134
Attn. Mr. Greg Roude

EXHIBIT E

Description of Land
EXHIBIT F

Premises and Parking Spaces

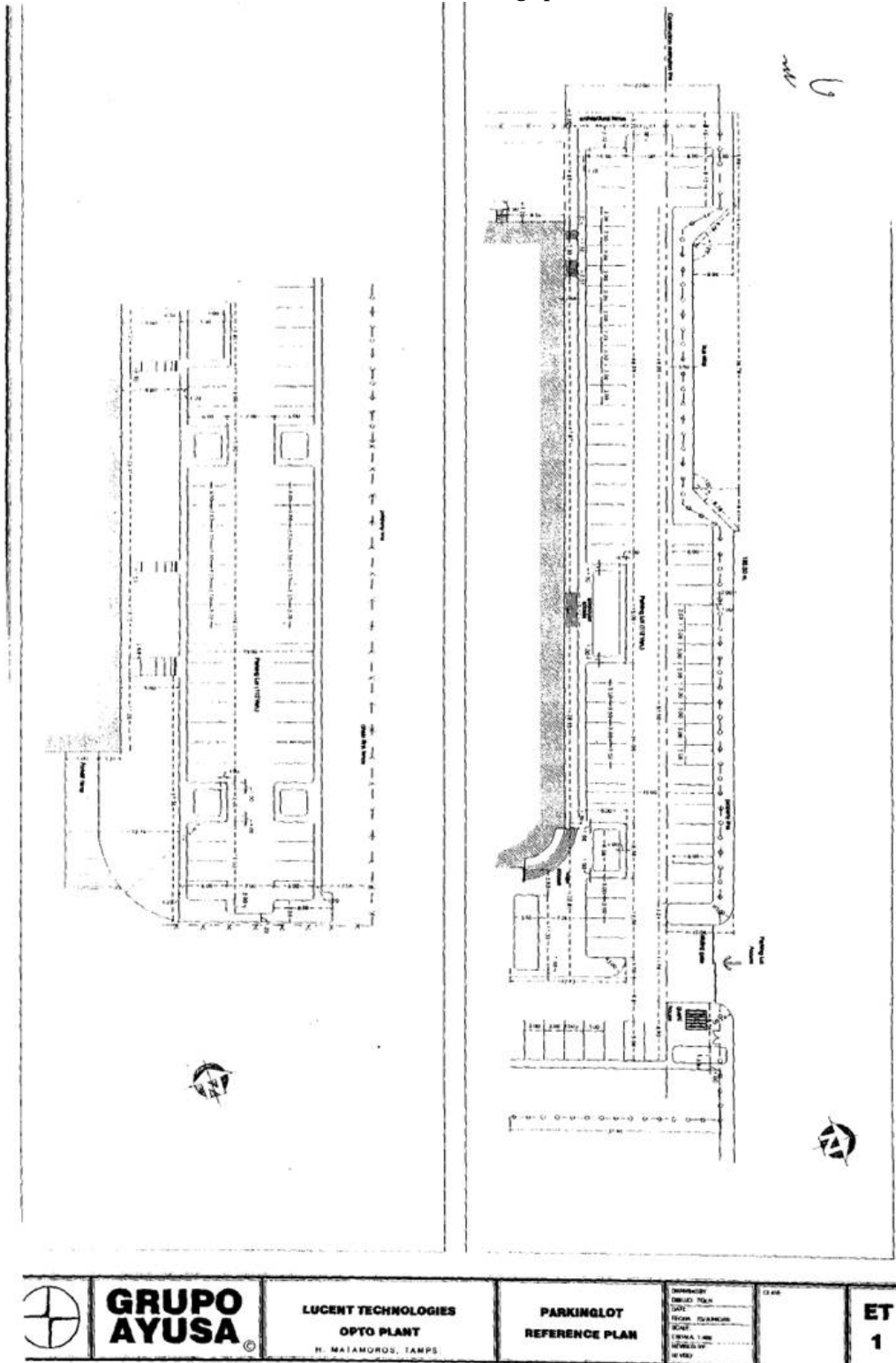


EXHIBIT G

Rules and Regulations

RULES AND REGULATIONS

- (1) Security. Landlord may from time to time adopt systems and procedures for the security or safety of the Premises or any persons occupying, using or entering the same, and Tenant shall comply with Landlord's reasonable requirements relating thereto.
- (2) Locks. Tenant shall have the right from time to time to change locks at the Premises, provided that in all cases, Tenant shall, simultaneously with such change, provide keys to Landlord.
- (3) Keys. At the end of the Term, Tenant shall promptly return or provide to Landlord all keys for the Building and Premises.
- (4) Furniture and Equipment. Tenant shall insure that furniture, fixtures, equipment and machinery being moved into or out of the Premises is moved in an appropriate manner through appropriate entrances.
- (5) Solicitations. Landlord reserves the right to restrict or prohibit canvassing, soliciting or peddling in and around the Premises.
- (6) Refuse. Tenant shall place all refuse in proper receptacles provided by Tenant at its expense at the Premises.

(7) Obstruction. Tenant shall not obstruct or place anything in or on the sidewalks or driveways outside the Building, or use such locations for any purpose except ingress to and egress from the Premises without Landlord's prior written consent.

(8) Proper Conduct. Tenant shall not conduct itself in any manner which is inconsistent with the character of the Building as a first quality Building or which will impair the comfort and convenience of other Tenants in the industrial park.

(9) Employees, Agents and Invitees. In these Rules and Regulations, "Tenant" includes the employees, contractors, agents, invitees and licensees of Tenant and others permitted by Tenant to use or occupy the Premises.

EXHIBIT H

Industrial Park By-Laws

[In Spanish]

EXHIBIT I

Preliminary Drawings and Specifications

Execution copy
June 29, 2000

ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (this "Addendum") is made as of this 29th day of June, 2000, by and between Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord"), a *sociedad de responsabilidad limitada de capital variable*, having a principal place of business at No. 28 San Carlos, Col. Alianza, H. Matamoros, Tamaulipas, Mexico, 87410 and represented herein by Mr. Pablo Vivanco-Arriaga in his capacity as legal representative, and Lucent Technologies Microelectronica de Mexico, S.A. de C.v. ("Tenant"), a *sociedad anonima de capital variable*, having a principal place of business at Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico, and represented herein by Mr. Edmundo Elias-Fernandez, in his capacity as attorney-in-fact.

RECITALS

A. On even date hereof, Landlord and Tenant entered into a certain Lease Agreement (the "Lease") with respect to the Land and the Building to be constructed thereon, located at Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico (the "Premises").

B. The parties desire to modify the Lease in certain respects as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

CLAUSES

1. Early Completion. In the event the Substantial Completion of the Building occurs prior to the Substantial Completion Date, Tenant shall pay to Landlord an amount equal to one month's Base Rent, for each fifteen day-period in which the Substantial Completion Date occurs prior to the Substantial Completion Date, until the Substantial

Completion Date. Such amount shall be deemed additional rent and shall be paid, along with applicable value added tax, with the first regular monthly installment of rent under the Lease.

2. Terms. All capitalized terms used herein which are not otherwise defined shall have the respective meanings set forth in the Lease.

3. No Other Modification. Except as modified by this Addendum, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed. The parties expressly agree that this Addendum does not constitute a novation of the obligations assumed by the parties in the Lease, thus it shall not be interpreted that this Addendum novates, amends or terminates said obligations, it only amends the Lease as to include the agreement set forth in clause 1 hereof consequently all other terms and conditions of the Lease shall remain in full force and legal effect.

4. Miscellaneous.

The parties expressly agree that all terms and conditions set forth in the Lease shall apply to the Addendum hereof.

For everything related to this Agreement, the parties submit to the Arbitration proceeding set forth in the Lease.

This Addendum shall be construed in accordance with the laws of the State of Tamaulipas. Unless herein waived, Landlord and Tenant acknowledge that all of the applicable statutes of such state are superimposed on the rights, duties and obligations of Landlord and Tenant hereunder.

This Addendum has been prepared in English and a Spanish version will be prepared. If any controversy arises with respect to the interpretation of this agreement, the English version shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and year first above written.

LANDLORD:

Inmobiliaria Ayusa, S. de RL. de C.V.

/s/ Mr. Pablo Vivanco-Arriaga

By: Mr. Pablo Vivanco-Arriaga

TENANT:

Lucent Technologies Microelectronica de Mexico S.A. de C.V.

/s/ Mr. Edmundo Elias-Fernandez

By: Mr. Edmundo Elias-Fernandez

SECOND ADDENDUM TO LEASE

THIS SECOND ADDENDUM TO LEASE (this "Addendum") is made as of this 29th day of June, 2000, by and between Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord"), which is a *sociedad de responsabilidad limitada de capital variable*, having its principal place of business at No. 28 San Carlos, Col. Alianza, H. Matamoros, Tamaulipas, Mexico, 87410 and represented herein by Mr. Pablo Vivanco-Arriaga in his capacity as legal representative, and Lucent Technologies Microelectronica de Mexico, S.A. de C.V. ("Tenant"), which is a *sociedad anonima de capital variable*, having its principal place of business at Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico, and represented herein by Mr. Edmundo Elias-Fernandez, in his capacity as attorney-in-fact.

RECITALS

A. WHEREAS, on even date hereof, Landlord and Tenant entered into a certain Lease Agreement (the "Lease") with respect to the Land and the Building to be constructed thereon, located at Calle Oriente 2, No. 40, Ciudad Industrial de Matamoros, H. Matamoros, Tamaulipas, Mexico (the "Premises").

B. WHEREAS, on even date hereof, Landlord and Tenant entered into a certain Addendum to Lease (the "First Addendum") with respect to the early delivery of the Building to be constructed under the Lease.

C. WHEREAS, the parties desire to modify the Lease in certain respects as hereinafter provided.

D. WHEREAS, Landlord hereby represents that it has obtained from the Mexican Federal Electricity Commission (the "MCFE") a feasibility certification whereby the MCFE represents that it is feasible to supply electricity for a minimum of 3000 KVA to the Premises. However, the MCFE has indicated in such letter, that the supply of energy to Tenant is subject to the prior existence of the following: (i) the construction of the infrastructure needed to install a transformer with characteristics and specifications which will allow the MCFE to supply electricity to the Premises, and (ii) the execution of an agreement between the MCFE and the industrial park where the Land is located, for the construction and payment of such infrastructure. A copy of the certification referred to above is attached hereto as Exhibit "A". In view of the conditions imposed by the MCFE to supply electricity to the Premises and in order to guarantee Tenant the supply of the electricity needed by Tenant for its industrial operations in the Premises, the parties have agreed to enter into this Second Addendum.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

CLAUSES

1. Electricity Supply. Further to its obligations under the Lease, Landlord hereby agrees to comply with the following obligations:

A. No later than fifteen (15) calendar days following the date of execution hereof, Landlord shall obtain a certification issued by the MCFE whereby the MCFE acknowledges that the conditions described in items (i) and (ii) of Recital (D) above, have been duly satisfied and, therefore, the MCFE will supply the electricity to the Premises for a minimum of 3000 KVA no later than October 30, 2000.

B. In the event Landlord does not fully and timely comply with its obligations referred in paragraph (A) above, Landlord shall comply with the following obligations:

(i) Landlord shall carry out at its sole cost and expense, all actions required to construct all infrastructure needed to install a transformer with characteristics and specifications which will allow Tenant to contract and obtain for the Premises electrical power for up to a minimum of 3000 KVA (all the necessary works, including the transformer as well as all the materials, labor and equipment needed to provide the Premises with a supply of electrical power of a minimum of 3000 KVA shall be hereinafter referred to as the "Electricity Works"). The Electricity Works must be fully completed by Landlord no later than October 30, 2000;

(ii) No later than twenty one (21) calendar days following the date of execution hereof, Landlord shall present Tenant, documentation evidencing the purchase of a transformer that complies with the technical and quality specifications and standards required by the MCFE;

(iii) The Electricity Works to be performed by Landlord, shall comply with all the technical and quality specifications and standards required by the MCFE. The Electricity Works shall be donated to the MCFE no later than October 31, 2000, subject to the condition that as of such date, the maintenance of the Electricity Works shall be carried out by the MCFE; and

(iv) Landlord shall enter into an agreement with the MCFE whereby the MCFE must agree: (a) to supply electricity for a minimum of 3000 KVA to the Premises, through the infrastructure resulting from the Electricity Works, no later than October 31, 2000 and during the Term or extended term of the Lease, (b) to receive the Electricity Works from Landlord no later than October 31, 2000, and (c) to maintain and repair the Electricity Works as needed in order to guarantee Tenant the supply of energy needed for Tenant's industrial operations in the Premises. Such agreement must be executed by Landlord and the MCFE no later than forty (40) calendar days following the date of execution hereof.

The parties agree that the effectiveness of the Lease shall be subject to the full and timely compliance of each and every one of the obligations of Landlord contained either in paragraphs (A) or (B) of this clause 1, as the case may be.

For such reason, Landlord's failure to comply with each and every one of its obligations contained in paragraph (A) and (B) of this clause 1, under the terms and subject to the conditions set forth herein, shall render Tenant released from any obligation or liability under the Lease, since there shall be no Lease whatsoever; and therefore, Tenant shall be free to carry out its industrial operations at any place in Matamoros or wherever it deems convenient.

2. Terms. All capitalized terms used herein which are not otherwise defined shall have the respective meanings set forth in the Lease.

3. No Other Modification. Except as modified by this Second Addendum, and the First Addendum, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed. The parties expressly agree that this Addendum does not constitute a novation of the obligations assumed by the parties in the Lease, thus it shall not be interpreted that this Addendum novates, amends or terminates said obligations, it only amends the Lease as to include the agreement set forth in clause 1 hereof, consequently all other terms and conditions of the Lease shall remain in full force and legal effect.

4. Miscellaneous. The parties expressly agree that, except as amended herein, and in the First Addendum, all terms and conditions set forth in the Lease shall apply to this Second Addendum.

For everything related to this Second Addendum, the parties submit to the Arbitration proceeding set forth in the Lease.

This Second Addendum shall be construed in accordance with the laws of the State of Tamaulipas. Unless herein waived, Landlord and Tenant acknowledge that all of the applicable statutes of such state are superimposed on the rights, duties and obligations of Landlord and Tenant hereunder.

This Addendum has been prepared in English and a Spanish version will be prepared. If any controversy arises with respect to the interpretation of this agreement, the English version shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Second Addendum as of the day and year first above written.

LANDLORD:

Inmobiliaria Ayusa, S. de R.L. de C.V.

/s/ Mr. Pablo Vivanco-Arriaga

By: Mr. Pablo Vivanco-Arriaga

TENANT:

Lucent Technologies Microelectronica de Mexico S.A. de C.V.

/s/ Mr. Edmundo Elias-Fernandez

By: Mr. Edmundo Elias-Fernandez

CONSENT TO TRANSFER

This Consent is executed as of this 25 day of April, 2005, by **INMOBILIARIA AYUSA, S. de R.L. de C.V.** (“Landlord”).

RECITALS

- A. Landlord is the lessor under that certain Lease Agreement dated as of June 29, 2000, with **Agree Systems de Mexico, S. de R.L. de CV.**, formerly known as Lucent Technologies Optoelectronics S.A. de C.V. and later assigned to TriQuint de Mexico, S. de R.L. de C.V. pursuant to an assignment on December 20, 2002, as “Tenant,” for premises located at Calle Oriente 2, No. 40, Ciudad Industiral de Matamoros, H. Matamoros, Tamaulipas, Mexico (the “Lease”).
- B. CyOptics Internaltional Holding Co., a Delaware corporation, and CyOptics International Holding LLC, a Delaware limited liability company, will collectively acquire one hundred percent (100%) of the capital stock of Tenant (the “Transfer”).
- C. Section 10(A) of the Lease requires Landlord’s prior written consent to the Transfer.
- D. Following the Transfer, the Tenant plans to change its name from TriQuint de Mexico, S. de R.L. de C.V. to CyOptics de Mexico, S. de R.L. de C.V. (the “Name Change”).

CONSENT

Landlord hereby consents to the Transfer in accordance with Section 10 of the Lease. Landlord also hereby consents to the Name Change. Landlord acknowledges that Tenant is not in default in the performance of any its obligations under the Lease and that the same is in full force and effect as of the date hereof.

Executed as of the day and year first set forth above.

INMOBILIARIA AYUSA, S. de R.L. de C.V.

By: /s/ [ILLEGIBLE]

Its: Legal Representative

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "Amendment") is made as of this 18 day of December, 2007, by and between **Inmobiliaria Ayusa, S. de R.L. de C.V.** ("Landlord"), represented herein by Luis Adrian del Pozo Vivanco, its legal representative, and **CyOptics de Mexico, S. de R.L. de C.V.** ("Tenant"), represented herein by Pedro A Llamas, its legal representative.

RECITALS

A. Landlord and Tenant's predecessor-in-interest, Lucent Technologies Microelectronica de Mexico, S.A. de C.V., have entered into a certain Lease Agreement dated as of June 29, 2000 (the "Lease") with respect to premises at Oriente 2 #40 entre Nte. 6 y Nte.4 CD industrial, CP 87494 H. Matamoros, Tamaulipas Mexico (the "Premises").

B. The parties desire to modify the Lease in certain respects as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. All capitalized terms used herein which are not otherwise defined shall have the respective meanings set forth in the Lease.
 2. Extension of Initial Term; Rent During Extension. The Expiration Date of the initial Term, currently December 31, 2007, is hereby extended to December 31, 2009. During the period from January 1, 2008 through December 31, 2009, Base Rent shall be in the initial amount of US\$56,407.50 per month (or US\$0.69 per square foot per month), subject to escalation as provided in Section 3 of the Lease. The Extension Terms shall remain in force such that Tenant continues to have two (2) five year Extension Term options as set forth in Section 2(B) after the end of the extended initial Term.
 3. No Other Modification. Except as modified by this Amendment, the Lease and all covenants, agreements, terms and conditions thereof (including, without limitation, the recitals) shall remain in full force and effect and are hereby in all respects ratified and confirmed.
- IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

LANDLORD:

Inmobiliaria Ayusa, S. de R.L. de C.V.

By: /s/ Luis Adrian del Pozo Vivanco
Luis Adrian del Pozo Vivanco

TENANT:

By: /s/ Pedro A Llamas
Pedro A Llamas

CyOptics de México, S. de R.L. de C.V.

GUARANTOR:

By: /s/ [ILLEGIBLE]

CyOptics Inc.

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (the "Second Amendment") is made as of this 2nd day of December, 2009, by and between **Inmobiliaria Ayusa, S. de R.L. de C.V.** ("Landlord") represented herein by Luis Adrian del Pozo Vivanco and **Cyoptics de Mexico, S. de R.L. de C.V.** ("Tenant") represented herein by Pedro A. Llamas, its legal representative.

RECITALS

- A.** Landlord and Tenant's predecessor-in-interest, Lucent Technologies Microelectronica de Mexico, S.A. de C.V., have entered into a certain Lease Agreement dated as of June 29, 2000 (the "Original Lease") with respect to premises at Oriente 2 #40 entre Nte. 6 y Nte 4, CD industrial, CP 87494 H. Matamoros, Tamaulipas, Mexico (the "Premises").
- B.** On December 18, 2007, Landlord and Tenant entered into a First Amendment to the Original Lease (the "First Amendment"), whereby the parties extended the Expiration Date of the initial Term from December 31, 2007, to December 31, 2009 (the "Original Lease as amended by the First Amendment, the "Lease Agreement"):
- C.** The parties herein declare that there are water leaks at the Premises, which have not been caused by the Tenant.
- D.** The parties herein desire to modify the Lease Agreement in certain aspects as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. Definitions.** All capitalized terms used herein which are not otherwise defined shall have the respective meanings set forth in the Lease Agreement.
- 2. Extension of Initial Term; Rent During Extension.** The Expiration Date of the initial Term, currently December 31, 2009, is hereby extended to December 31, 2011. During the period from January 1, 2010 through December 31,

2011, Base Rent shall be in the initial amount US\$42,918.75 dollars per month (or US\$0.525 dollars per square foot per month), subject to escalation as provided in Section 3 of the Lease. The Extension Terms shall remain in force such that Tenant continues to have (2) five year Extension Term options as set forth in Section 2(B) after the end of the extended initial Term.

3. Fixtures of the Premises. Landlord hereby agrees to immediately fix any roof leak that the Premises may have not caused by the Tenant. For such purposes, Landlord shall send a crew to clean the roof of the Premises and further apply insulation material to stop any water filtrations no later than December 31, 2010. In the event that on or before March 4, 2010, Tenant notifies Landlord that there are roof leaks in the Premises, Landlord agrees to invest in the application of a roof membrane in a term not exceeding 90 days from the date of such notice by Tenant to Landlord.

4. Other repairs/Maintenance: Furthermore, Landlord agrees to (i) refurbish the access road and hurricane fence to the Premises no later than by March 4, 2010, and (ii) paint all the exterior of the Premises in a term not exceeding 6 (six) months from the date hereof, that is, no later than on June 4, 2010.

5. No other Modification. Except as modified by this Second Amendment, the Lease Agreement and all covenants, agreements, terms and conditions hereof (including without limitations, the recitals) shall remain in full force and effect and are hereby in all respects ratified and confirmed.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and year first above written.

LANDLORD:

Inmobiliaria Ayusa, S. de R.L. de C.V.

By: /s/ Luis Adrian Del Pozo Vivanco

Name: Luis Adrian Del Pozo Vivanco

Position: Attorney in Fact

TENANT:

Cyoptics de México, S. de R.L. de C.V.

By: /s/ Pedro A. Llamas

Name: Pedro A. Llamas

Position: Attorney in Fact

GUARANTOR:

Cyoptics Inc.

By: /s/ Ed J. Coringrato, Jr.

Name: Ed J. Coringrato, Jr.

Position: President and CEO

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (the "third Amendment") is made as of this 25th day of October, 2011, by and between **Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord")** represented herein by Luis Adrian Del Pozo Vivanco and **Cyoptics de Mexico, S. de R.L. de C.V. ("Tenant")** represented herein by Pedro A. Llamas, its legal representative.

RECITALS

- A. Landlord and Tenant's predecessor-in-interest, Lucent Technologies Microelectronica de Mexico S.A. de C.V., have entered into a certain Lease Agreement dated as of June 29, 2000 (the "Original Lease") with respect to premises at Oriente 2 #40 entre Nte. 6 y Nte. 4, CD Industrial de Matamoros, CP 87494, H. Matamoros, Tamaulipas, Mexico (the "Premises")
- B. On December 18, 2007, Landlord and Tenant entered into a First Amendment to the Original Lease (the "First Amendment"), whereby the parties extended the Expiration Date of the initial Term from December 31, 2007, to December 31, 2009.
- C. On December 2, 2009, Landlord and Tenant entered into a Second Amendment to the Original Lease (the "Second Amendment"), whereby the parties, extended the Expiration Date of the Initial Term from December 31, 2009 to December 31, 2011 (the "Original Lease as amended by the First and Second Amendment, the "Lease Agreement").
- D. The parties herein declare that an electric post and the fire protection tank need to be refurbished

E. The parties herein Desire to modify the Lease Agreement in certain aspects as herein provided.

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows;

1. Definitions. All capitalized terms used herein which are not otherwise defined shall have the respective meaning set forth in the Lease Agreement.
2. Extension of initial Term; Rent During Extension. The Expiration Date of the initial Term, currently December 31, 2011, is hereby extended to December 31, 2013, During the period from January 1, 2012 through December 31, 2013, Base rent shall be in the initial amount of US \$ 40,466.25 dollars per month (or \$ 0.495 dollars per Square foot per month), subject to escalation as provided in Section 3 of the Lease. The Extension terms shall remain in force such that Tenant continues to have (2) five year Extension Term options as set forth in Section 2(B) after the end of the extended initial Term.
3. Fixtures of the premises. Landlord hereby agrees to refurbish an electric post and the fire protection tank no later than March 31, 2012.
4. No other Modifications. Except as modified by this Third Amendment, the Lease Agreement and all covenants, agreements, terms and conditions hereof (including without limitations, the recitals) shall remain in full force and effect and are hereby in all respects ratified and confirmed.

IN WITNESS WHEREOF, the parties have executed this Third Amendment as of the day and year first above written.

LANDLORD

Inmobiliaria Ayusa, S. de R.L. de C.V.

By: /s/ Luis Adrian Del Pozo Vivanco

Name: Luis Adrian Del Pozo Vivanco

Position: Attorney in Fact

TENANT:

Cyoptics de Mexico, S. de R.L. de C.V.

By: /s/ Pedro A. Llamas

Name: Pedro A. Llamas

Position: Attorney in fact

GUARANTOR:

CyOptics Inc.

By /s/ Ed J. Coringrato, Jr.

Name: Ed J. Coringrato, Jr.

Position: President and CEO

**SPECIAL BOARD NUMBER SIX OF THE STATE
CONCILIATION AND ARBITRATION BUREAU.
MATAMOROS, TAMAULIPAS**

Matamoros, Tamaulipas, the eighth of March of two thousand and ten

This Collective Employment Contract and its annexes was presented on February sixteenth, two thousand and ten, executed between the **UNION OF DAY LABORERS AND INDUSTRIAL WORKERS AND THE MAQUILIADORA INDUSTRY**, represented by JUAN VILLAFUERTE MORALES, NOE GUADALUPE TOVAR GONZALEZ, JAVIER ARREOLA MARTINEZ AND ARTURO GARZA TREVIÑO, in their capacities as General Secretary, General Secretary, Secretary of the Interior, Labor Commission and Legal Representative, respectively, and the company named **CYOPTICS OF MEXICO, S. DE R.L. DE C.V.**, represented by PEDRO ALFREDO LLAMAS CHAVEZ, in his capacity as Legal Representative. The Contract is assigned control number **00021/6/2010**, for statistical purposes, and is being sent to the Local State Conciliation and Arbitration Board, so that said authority can reach whatever decision or take whatever action that is within its scope of authority. **SO BE IT.**

So decreed and signed by the Special Board Number Six of the State Conciliation and Arbitration Bureau. **I SO ATTEST.**

PRESIDENT OF THE BOARD

EMPLOYER REPRESENTATIVE

WORKER REPRESENTATIVE

SECRETARY OF AGREEMENTS

On the same date this document was published in the list. **FOR THE RECORD.**
COLLECTIVE EMPLOYMENT CONTRACT FOR AN INDEFINITE DURATION. Executed in the City of Matamoros, Tamaulipas, **on the sixteenth day of February of two thousand and ten**, with File No. 121/1/97, for the one party the **UNION OF DAY LABORERS AND INDUSTRIAL WORKERS AND THE MAQUILIADORA INDUSTRY OF MATAMOROS, TAMAULIPAS**, domiciled at number 95 at the corner of Iturbide and 12th Streets of this city, represented by **JUAN VILLAFUERTE MORALES, NOE GUADALUPE TOVAR GONZALEZ, JAVIER ARREOLA MARTINEZ AND ARTURO GARZA TREVIÑO**, in their capacities as General Secretary, General Secretary, Secretary of the Interior, Labor Commission and Legal Representative, respectively, of said Union, and for the other party, the company **CYOPTICS DE MEXICO, S. DE R.L. DE C.V.**, whose domicile is at Calle Oriente No. 40 between Norte 6 and Norte 4, Ciudad Industrial, on the official map of this City, represented by MR. PEDRO ALFREDO LLAMAS CHAVEZ, in his capacity as LEGAL REPRESENTATIVE of the Company, this Collective Employment Contract, which to ensure proper interpretation, the parties agree on under the following Definitions and Clauses:

“DEFINITIONS”

COMPANY: CYOPTICS DE MEXICO, S. DE R.L. DE C.V., whose domicile is at Calle Oriente No. 40 between Norte 6 and Norte 4, Ciudad Industrial, on the official map of this City, incorporated in accordance with the laws of the country.

UNION: UNION OF DAY LABORERS AND INDUSTRIAL WORKERS AND THE MAQUILIADORA INDUSTRY OF MATAMOROS, TAMAULIPAS, domiciled at number 95 at the corner of Iturbide and 12th Streets of this city, a Labor Organization founded in accordance with the Federal Labor Law.

OFFICES: The main offices of the Company.

MANAGEMENT POSITIONS: Those defined as such by articles 9 and 813 of the Federal Labor Law.

WORKERS: Individual persons who are members of the Union who are sent by the Union to the Company to perform their jobs.

WORKERS' RIGHTS: Those rights acquired by the workers in accordance with the stipulations of the Collective Employment Agreement and the provisions of the Federal Labor Law.

SALARY SCALE: List of personnel who work at the Company, with their name and salary amounts.

SALARIES: The amount of money that the Company pays its workers in exchange for the services provided.

COLLECTIVE EMPLOYMENT AGREEMENT: This document, as well as any other agreements that are signed and that form a part of this document.

“CLAUSES”

FIRST. **IDENTITY:** Both appearing parties mutually recognize the legal status that they claim for all relevant legal purposes.

SECOND. **ABBREVIATIONS:** Both parties agree that in the interests of shortening the content of this document, the company CYOPTICS DE MEXICO, S. DE R.L. DE C.V., will be referred to as “THE COMPANY” and the UNION OF DAY LABORERS AND INDUSTRIAL WORKERS AND THE MAQUILIADORA INDUSTRY will be referred to as “THE UNION.”

THIRD. **EXCLUSIVITY:** The Company commits to only and exclusively using members of the Union in its optical product assembly plant, located at Calle Oriente 2 No. 40 between Norte 6 and Norte 4, Ciudad Industrial, Matamoros, Tamaulipas, and the Company acknowledges that the Union is a concessionaire authorized by the SECRETARIAT OF COMMUNICATIONS AND TRANSPORTATIONS, to carry out the tasks of loading, unloading, stacking, unstacking, inspection, surveillance and transshipment of merchandise, and therefore the Company is obligated to carry out each and every one of the tasks related to the abovementioned activities with members of the Union. Therefore, the unloading of raw material, stacking them in the warehouses, loading finished products and stacking them in the vehicles for shipment will be done by members of the Union under the terms indicated in the corresponding rate.

FOURTH. **FEDERAL LABOR LAW:** The Company and the Union have decided to enter into this Contract, under the provisions of the Federal Labor Law.

FIFTH. **RECOGNITION.** The Company recognizes the legal status of the Union, as the labor organization that groups together the workers who provide their services at its optical product assembly plant, located at Calle Oriente 2 No. 40 between Norte 6 and Norte 4, Ciudad Industrial, Matamoros, Tamaulipas, As well as other activities that fall within the union’s purview that the Company engages in within its work site or around the perimeter of the plant.

SIXTH. **ADMINISTRATIVE AUTHORITY:** The Union recognizes that the Company has the exclusive authority to organize, administer and supervise all of the work for which this Contract is being executed, and therefore it is the Company’s exclusive right to give instructions and orders on how to carry out the plant operation and maintenance work, including all of the technical and administrative specifications that it deems necessary, and therefore the workers are subject to its authority with regard to the work that they do.

SEVENTH. **TRIAL PERIOD:** The Company agrees that those new workers requested under the terms of the FIFTH clause of this Contract, and taking into account that the work to be done for the company require adequate training and skills, the

workers that the Union provides will be subject to a capacity and efficiency trial period for 29 working days, or 60 days in special cases agreed upon by the Union and the Company, so that within said periods, the employer has the authority to terminate the employment relationship without incurring any liability. After these terms, if the Company has not made any observations or complaints regarding the new worker, he will be considered a permanent employee for all relevant legal effects, except for temporary and occasional workers.

EIGHTH. EXCLUSION: The mere fact that one or several workers cease to be members of the Union , will be sufficient cause for their immediate termination by the Company, without liability, in accordance with article 395 of the Federal Labor Law.

NINTH. UNION DISCIPLINE: The Union, at the written request of the Company, will impose penalties upon its members, in the form of disciplinary correction, in such a way that does not harm the interests of the Company, and for this purpose, the Union may not simultaneously punish two workers of the same category. When the Union disciplines a worker, they will inform the Company.

TENTH. MANAGEMENT EMPLOYEES. This contract will only govern the workers who are Union members, and will not be applicable for management employees, who are in charge of the leadership, supervision and inspection of the business in accordance with Articles 9 and 183 of the Federal Labor law. Those people who serve in management positions may not carry out manual labor nor any other tasks that correspond to unionized personnel.

ELEVENTH. WORK WITHIN THE COMPANY: When the Company carries out an installation or repair or any other activity within the Perimeter of the plant, that work must be done by Union members. For the construction of buildings, expansions and in special cases the Company may hire contractors, who must request specialized workers through the Union which is party to this Contract.

TWELFTH. UNION DELEGATE: The Union will appoint one of its members, for each shift and for each plant, to be its Delegate to the Company, and the Company will through this delegate address any union-related issues regarding this Contract. The Delegates must treat all people respectfully and resolve all problems that may arise in the best way, and via conciliation, without prejudice to the intervention of the Union Directors. As compensation for the services provided by the Union through the delegates, the Company will pay the amount of **MX\$ 705.00 (SEVEN HUNDRED AND FIVE AND 00/100 MEXICAN PESOS)** monthly for each of them, and is obliged at the request of the Union to grant them the time necessary to perform their duties, to attend union meetings, attend cultural seminars authorized by the Union and to comply with their union commissions. All of the time employed for these purposes shall be counted as effective work done, with the understanding that the delegates will not interfere with the administrative procedures of the Company.

THIRTEENTH. WORK SHIFTS: The Company will work three shifts per day, and the Union is obliged to provide the personnel that are required. If the Company needs to work one or more extra shifts, the Union is obliged to provide the workers necessary, with the understanding that those workers who work during said shifts will enjoy the same compensation established by this Contract for all workers of the established shifts. The Company may reduce any shift or shifts that it deems necessary, and compensate the workers under the terms of this Contract, unless the workers agree to be relocated in another shift.

FOURTEENTH. SEPARATION: When in the Company's opinion it is necessary to reduce the number of workers, it may reduce its workforce by as many workers as it deems necessary, and must pay them severance pay in accordance with Article 50, Sections II and III, and 162 of the Federal Labor Law, and for this purpose must take into account that established in Articles 34 Section III and 437 of the above-mentioned Law.

FIFTEENTH. CHANGES: The Company, if necessary, may change its workers from one department to another depending on its needs, without changing their salary, but may not move them to an inferior category as a disciplinary measure. When by virtue of such a change, the worker is occupying a superior post, they will earn the salary assigned for said post. To change a worker from one shift to another, the Company and the Union will reach an agreement to make such a change.

SIXTEENTH. WORK DAYS: The work days will consist of eight, seven and a half and seven hours, respectively, depending on whether the worker is on the day shift, mixed shift or night shift.

SEVENTEENTH. LEGAL BREAKS: Workers in the service of the Company will enjoy 30 minutes for eating a meal, which will not be counted as effective work time, within the same work day, the Company must give workers two break periods, the first one lasting 10 minutes between their start time and mid-shift, and the second also lasting 10 minutes, between mid-shift and leaving time. These 10 minute breaks will be counted as effective work time, as established in Articles 64 and 64 of the Federal Labor Law.

EIGHTEENTH. SALARIES: The salaries to be earned by the workers in the service of the Company will be indicated in the Salary Scale which is attached to and forms an integral part of this Contract, plus any salary increases that are implemented during the duration of this Contract.

NINETEENTH. OVERTIME: Those workers who provide their services to the Company after their normal workday, will work overtime in accordance with Articles 66 and 68 of the Federal Labor Law. The wages that they will earn from overtime work will be those determined by Article 68. When for production reasons, the Company asks employees to work on their days off, it will follow the provisions of Article 73 of the Law.

TWENTIETH. DAYS OFF: The workers who provide their services to the Company during the weekly rest days (Sunday) or obligatory holidays indicated by articles 69 and 74 of the Federal Labor Law, to which is hereby added July 15, the anniversary of the founding of the Union, will receive the salary indicated for this purpose by articles 73 and 75 of said Law. The Company agrees that when official holidays coincide with weekly rest days, the workers will enjoy said day off on the following business day, and will enjoy full salaries.

TWENTY-FIRST. SUNDAY PREMIUM: Those workers who provide their services to the Company on Sundays will have the right to an additional payment of **26% (TWENTY-SIX PERCENT)** of their normal daily wage.

TWENTY-SECOND. SOCIAL SECURITY: The Company will enroll all of the workers that it employs in the social security system, and will cover the employer contribution, without any deduction whatsoever from the workers' salaries, and will also cover 60% (sixty percent) of the first three days of medical disability determined by Social Security doctors, for non-occupational illnesses, and the Company will assume responsibility for whatever may result from their absence.

TWENTY-THIRD. SOCIAL BENEFIT BOND: The Company commits to establishing a social benefit bond for its workers, payable weekly in CREDIT VOUCHERS, equivalent to the amount of the worker's quota to the Mexican Social Security Institute, plus the amount of the tax on work products that will be withheld from the worker, so that the salary will not be reduced at all. In the event of any kind of controversy, the company will assume the corresponding liability, without prejudice to its workers.

TWENTY-FOURTH. UNION DUES: The ordinary and extraordinary Union dues, as well as the 4% (FOUR PERCENT) will be deducted from the salary of the workers, free of charge, by the Company, and this money will be paid monthly to the Union through its Treasurer-Secretary or authorized person, who will provide the corresponding receipt. For this purpose, the Company will make available its payroll documentation to verify the amount deducted.

TWENTY-FIFTH. LEAVE: The Company will grant unpaid leave to the workers to take days off when they have to serve in an temporary or permanent commission of the Union, by popular election, in accordance with what is established in Article 132 Sections IX and X of the Federal Labor Law. The Union will make a written request to the interested worker. Special leaves will be granted with pay if the Company and Union so agree.

TWENTY-SIXTH. DEATH IN THE FAMILY: The Company will grant leave of 3 (three) days with pay to workers who have to take time off because of the death of one of their parents, spouse or children, in addition it will provide them an economic stipend of **\$1,650.00 (ONE THOUSAND SIX HUNDRED AND FIFTY AND 00/100 MEXICAN PESOS).**

TWENTY-SEVENTH: **DEATH OF THE WORKER.** In the event of the death of a worker, regardless of their seniority, the Company will pay the amount of **\$6,000.00 (SIX THOUSAND AND 00/100 MEXICAN PESOS)** to their family members, independently of the benefits provided by the Mexican Social Security Institute and those established by the Federal Labor Law. This payment will be made first of all to the spouse of the deceased worker, and secondly, to the children or economic dependents of the worker.

TWENTY-EIGHTH. **MARRIAGE:** The company will grant 3 days of leave, with pay to any worker who gets married, if they have been with the Company for less than 2 years, and in addition will provide a financial bonus of **\$900.00 (NINE HUNDRED AND 00/100 MEXICAN PESOS)**. For those workers who have seniority of 2 years or more, the company will grant them 3 days of paid leave, and a financial bonus of **\$1,075.00 (ONE THOUSAND SEVENTY-FIVE AND 00/100 MEXICAN PESOS)**. The Union will submit the request for leave with sufficient advance notice.

TWENTY-NINTH. **SPORTS:** The Company agrees to encourage sports among its workers, and will sponsor any team or teams that they should form, and will provide them with the necessary uniforms.

THIRTIETH. **VACATIONS:** Workers employed by the Company will enjoy an annual vacation period, with full salary. The number of vacation days allowed will be determined according to the following table:

1 year	6 days
2 years	8 days
3 years	10 days
4 years	12 days
5-9 years	14 days
10 + years	16 days

In addition, the Company, when paying worker’s salaries during vacations, will add an additional **32% (THIRTY-TWO PERCENT)** in the form of a vacation bonus, at least, as established by articles 79 and 80 of the Federal Labor Code.

THIRTY-FIRST. **PAYMENT FOR WEEKLY REST DAYS:** When the workers do not work every day of the week, the payment for the weekly rest days will be made in proportion to the days worked and the obligatory holidays will be paid with the full salary.

THIRTY-SECOND. **UNIFORMS:** The Company will provide each of its workers with one uniform each year, at no cost to the worker. Said uniform will be distributed during the first half of April.

THIRTY-THIRD: **INTERIOR WORKING REGULATIONS:** These regulations will be an attached part of this Contract and the parties commit to signing them within 30 days from the date that this Contract is filed with the Labor Authorities.

THIRTY-FOURTH. **EFFICIENCY AT WORK:** The workers are obligated to carry out the job assigned to them by the Company, with the utmost care, efficiency and dedication, in order to obtain the best quality products and to be as productive as possible.

THIRTY-FIFTH. PAYMENT OF SALARIES: The workers' salaries will be paid directly to them, or in their absence, to the person that they designate via a letter of authorization signed before two witnesses.

THIRTY-SIXTH. YEAR-END BONUS: The workers employed by the Company will have the right to an annual bonus that must be paid before December 20, equivalent to **21 days'** salary, as established by Article 87 of the Federal Labor Law.

THIRTY-SEVENTH. ADMISSION REQUIREMENTS: The Union guarantees the moral quality of the workers who provide their services to the Company, as well as their effectiveness in the performance of their duties, and therefore the workers that the Union provides must meet the following requirements:

- a) Be over 16 years of age;
- b) Fill out the form provided by the Company, using completely truthful information;
- c) Be a member of the Union;
- d) Have at least completed primary school;
- e) Present their valid military card, for men of military service age; and
- f) Have a good background.

THIRTY-EIGHT: GENERAL EMPLOYEE LADDER: The Company and the Union will formulate the general employee ladder that will contain the name of the worker, category, salary and date when they began working for the company. This General Ladder will establish the seniority of each worker, for the purpose of vacations, bonus, severance, personnel reductions or to determine any other benefit that is related to seniority.

THIRTY-NINTH: PAYMENT RECEIPTS: After the Company has paid its workers their salaries, it will provide them with a copy of the payment receipt, containing their salary, the amount paid and the amounts withheld, and the worker must sign the original for the Company's records and keep the copy for their own personal records.

FORTIETH: PROFIT-SHARING: The Company commits to sharing with its workers those profits referred to in Articles 117 to 131 of the Federal Labor Law, and for this purpose will appoint a mixed Commission as called for in Section I of Article 125 of the Federal Labor Law. The company commits to providing the union with a copy of its annual tax declaration, within 10 days after it is filed, in order to ensure compliance with section I of Article 121 of the Law.

FORTY-FIRST: VOLUNTARY RETIREMENT: Both parties agree that in the case of voluntary retirement, the provisions of Article 162 of the Federal Labor Law will be followed.

FORTY-SECOND. EQUIPMENT AND TOOLS: The Company will provide its workers with safety equipment, masks, aprons, safety glasses and gloves, as well as any tools and supplies that they need for their safety and to properly perform their jobs, without deducting any amount from their salary for the wear and tear that such equipment may suffer from normal use. The recommendations of the C.M.S.H. will be taken into consideration when evaluating the need for safety equipment.

FORTY-THIRD. FORM OF PAYMENT: The payment of the accrued compensation, such as vacation pay, year-end bonus, profit sharing, severance, seniority premium and other benefits established by the Federal Labor Law and this contract, must be made by the Company to its workers based on the salary that is in effect at the moment said benefits are paid.

FORTY-FORTH. INFONAVIT/SAR: The Company commits to providing the Union with a document that states that the Company made its contribution of 5% (FIVE PERCENT) to the Housing Office, for INFONAVIT, and 2% (TWO PERCENT) for the Retirement Savings System (S.A.R.), in order to verify the authenticity of the salaries being paid to the workers and the deductions made from their paychecks. The Company also agrees that when requested by the worker, it will provide him/her with a report of its contributions to the credit that they have with INFONAVIT, to which they will attach any documents that demonstrate said contribution, in compliance with Article 34 of the Law of the National Housing Fund for Workers. The Company will also, on a bimonthly basis, provide the receipts

Issued by the Bank of the contributions made to the Retirement Savings System for each of its workers.

FORTY-FIFTH. SAFETY AND HYGIENE: The Company and the Union agree to form the mixed safety and hygiene commission referred to in article 509 of the Federal Labor Law, within a period of 30 days after signing this contract, and said committee must remain in place as long as this Contract is in force.

FORTY-SIXTH. GUARANTEE: The Company agrees with the Union that the severance pay for unionized workers that it employees is guaranteed, in the corresponding proportional amount, with all of the personal and real property, machinery and equipment, raw material and finished products, that it owns, and must guarantee the proportion that is not covered with these assets.

FORTY-SEVENTH. TRAINING AND PROFESSIONAL DEVELOPMENT: The Company commits to provide Training and Professional Development to all of its workers in accordance with Articles 153A to 153X of the Federal Labor Law, and for this purpose the company and the Union will form, within 90 days after the signing of this contract, a MIXED TRAINING AND PROFESSIONAL DEVELOPMENT COMMISSION. The Company, if necessary, will inform the Union on a monthly basis of the results obtained by the workers attending the courses, and evidence of their corresponding occupational skills, duly filed with the SECRETARIAT OF LABOR AND SOCIAL BENEFITS.

FORTY-EIGHTH. DINING ROOM: The Company will build or establish a dining room within the work place, and will provide a stove or grill, refrigerator, and sufficient tables and chairs in good condition for the workers to heat and consume their food.

FORTY-NINTH. MATERNITY: Both parties agree that in the event of maternity, they will abide by the Social Security Law and Article 170 of the Federal Labor Law. In the case of temporary workers who have provided their services for more than 3 months and become pregnant, they will not be terminated and they will continue to be employed by the Company until their pregnancy is completed, and the Company commits to the Union that it will cover the PRE- and POST-natal disabilities that Social Security does not cover because the worker has not worked for the requisite number of weeks.

FIFTIETH. 40-HOUR WORK WEEK: The Company and the Union agree to establish April 1, 2001, as the start of the 40-hour work week, Divided into 5 work days, with a full salary payment of 56 hours, with Saturdays and Sundays considered days of rest.

FIFTY-FIRST. INDEFINITE DURATION CONTRACT: This Collective Employment Contract is being entered into with an indefinite duration and can be completely or partially amended in accordance with Articles 397, 399 and 399 bis of the Federal Labor Law.

FIFTY-SECOND. SCHOLARSHIPS: In order to further the education of the workers and their children, the Company will annually sponsor **9 (NINE)** scholarships in intermediate and/or higher institutions of learning, which will consist of an award on the part of the Company of the amount of **\$1,500.00 (ONE THOUSAND FIVE HUNDRED AND 00/100 MEXICAN PESOS)** annually for each scholarship recipient, in order to help the student cover the costs of books, supplies and other expenses related to their studies. The Union is obliged to make sure that the scholarships go to the most qualified students, according to their grades and with the agreement of the Company.

FIFTY-THIRD. INCREASE OF SALARY SCALES: In order for the scaled salaries to retain the agreed-on wage differences, the Company agrees with the Union to increase said scaled salaries on those occasions when Emergency salaries are decreed, or upon decrees made by the National Commission on Minimum Wages, in order to conserve the agreed-upon salary differences, between the different categories on the scale, and to not allow under any circumstances the salaries of workers to continue to lose their purchasing power. This is understood without prejudice to the revisions indicated in Articles 399 and 399 bis of the Federal Labor Law. The increases will be set for all categories by the same amount, which will be that resulting from applying the percentage increase in the minimum wage.

FIFTY-FOURTH. SPORTS: The Company agrees with the Union that independently of the sports team or teams that it sponsors among its workers in accordance with this Contract, it will pay the Union the amount of **\$1,050.00 (ONE THOUSAND FIFTY AND 00/100 MEXICAN PESOS)** per year, in order to economically support, through the Sports

Commission, those CTM-member workers from the different sports have been selected to participate in regional, state or national games.

FIFTY-FIFTH. **FIRST AID KITS:** The Company agrees to have all necessary first aid kits, and to maintain them completely accessible to all workers and in good conditions.

FIFTY-SIXTH. **PRESCRIPTION GLASSES:** If the Mexican Social Security Institute prescribes eyeglasses for unionized workers, the Company will provide them free of cost, on up to two occasions during the life of this Contract.

FIFTY-SEVENTH. **BULLETIN BOARDS:** The Company agrees to set aside sufficient space, in a visible place, for its announcement boards, so that the Union, through its Delegate, can post communications regarding union business.

FIFTY-EIGHTH. **SUPPLEMENTARY CHARACTER OF THE LAW:** Both parties agree that for any matter not foreseen or stipulated in this Contract, they will be governed by the Federal Labor Law and other laws, which will be supplemental.

FIFTY-NINTH. **EFFECTIVENESS:** Both contracting parties declare that this Collective Employment Contract will enter into effect on the **tenth of January of two thousand and ten**, regardless of when it is filed with the Local State Conciliation and Arbitration Board, and that the new alary will begin to be paid beginning on **January tenth, two thousand and ten**. Both parties also agree that this Contract must be completely revised on **January tenth, two thousand and twelve**, and in compliance with Article 399 bis of the Federal Labor Law, the Positions and Salaries Scale must be revised precisely on **January tenth, two thousand and eleven**. The respective Position and Salaries Scale is attached to this Contract.

**FOR THE UNION OF DAY LABORERS AND
INDUSTRIAL WORKERS AND MAQUILADORA
INDUSTRY WORKERS**

**FOR THE COMPANY
CYOPTICS DE MEXICO,
S. DE R.L. DE C.V.**

**JUAN VILLAFUERTE MORALES
GENERAL SECRETARY**

**PEDRO ALFREDO LLAMAS CHAVEZ
LEGAL REPRESENTATIVE**

**NOE GPT. TOVAR GONZALEZ
SECRETARY OF THE INTERIOR**

**JAVIER ARREOLA MARTINEZ
LABOR COMMISSION**

March 4, 2010

**ARTURO GARZA TREVIÑO
LEGAL REPRESENTATIVE**

1 Annex

5 Copies

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SCALE OF POSITIONS AND WAGES THAT THE COMPANY “CYOPTICS DE MEXICO, S. DE RL DE C.V.” MUST PAY THE WORKERS WHO PROVIDE THEIR SERVICES UNDER THE TERMS OF THE COLLECTIVE EMPLOYMENT AGREEMENT .

“SALARY SCALE”

POSITIONS:	SALARIES:	
WATCHMAN	\$	146.86
GENERAL MECHANIC	\$	153.77
GENERAL OPERATOR "A"	\$	133.08
GENERAL OPERATOR "B"	\$	126.18
GENERAL OPERATOR "C"	\$	119.26
OPERATOR DURING TRIAL PERIOD	\$	105.46

In order for the scaled salaries to retain the agreed-on wage differences, the Company agrees with the Union to increase said scaled salaries on those occasions when Emergency salaries are decreed, or upon decrees made by the National Commission on Minimum Wages, in order to conserve the agreed-upon salary differences, between the different categories on the scale, and to not allow under any circumstances the salaries of workers to continue to lose their purchasing power. This is understood without prejudice to the revisions indicated in Articles 399 and 399 bis of the Federal Labor Law.

The increases will be set for all categories by the same amount, which will be that resulting from applying the percentage increase in the minimum wage. The preceding salaries are understood to apply to the legal workday, and do not include the part corresponding to the SEVENTH day, and should be paid to the workers on Friday, during working hours and in the country's legal currency. When the Company needs to carry out tasks involving stacking, loading or unloading materials or raw material or any other product, it will reach an agreement with the Union to set the price of these services.

The Company commits to establishing a social benefit bond for its workers, payable weekly in CREDIT VOUCHERS, equivalent to the amount of the worker's quota to the Mexican Social Security Institute, plus the amount of the tax on work products that will be withheld from the worker, so that the salary will not be reduced at all. In the event of any kind of controversy, the company will assume the corresponding liability, without prejudice to its workers.

Matamoros, Tamaulipas, February 16, 2010

**FOR THE UNION OF DAY LABORERS AND
INDUSTRIAL WORKERS AND MAQUILADORA
INDUSTRY WORKERS**

**JUAN VILLAFUERTE MORALES
GENERAL SECRETARY**

**NOE GPT. TOVAR GONZALEZ
SECRETARY OF THE INTERIOR**

**JAVIER ARREOLA MARTINEZ
LABOR COMMISSION**

**ARTURO GARZA TREVIÑO
LEGAL REPRESENTATIVE**

**FOR THE COMPANY
CYOPTICS DE MEXICO,
S. DE R.L. DE C.V.**

**PEDRO ALFREDO LLAMAS CHAVEZ
LEGAL REPRESENTATIVE**

INDEMNITY AGREEMENT

THIS AGREEMENT is made and entered into as of this [__]th day of [____], 20__ by and between Avago Technologies Limited, a public company limited by shares organized under the laws of the Republic of Singapore (the “Company”), and [_____] (“Director”).

RECITALS

WHEREAS, Director performs a valuable service to the Company in his or her capacity as a director;

WHEREAS, the members of the Company have adopted a Memorandum and Articles of Association (the “Articles”) providing for the indemnification of the Company’s directors, auditors, secretary and other officers, as authorized by the Companies Act (Chapter 50 of Singapore), as amended from time to time (the “Act”);

WHEREAS, the Articles and the Act permit contracts between the Company and its directors, auditors, secretary and other officers with respect to indemnification of such persons; and

WHEREAS, in order to induce Director to continue to serve as a director, the Company has determined and agreed to enter into this Agreement with Director;

NOW, THEREFORE, in consideration of Director’s continued service as director after the date hereof, the parties hereto agree as follows:

AGREEMENT

1. Services to the Company. Director will serve as a director of the Company and as a director, officer or other fiduciary of one or more Company affiliates (including any employee benefit plan of the Company) (collectively “Company”) faithfully and to the best of his or her ability so long as he or she is duly elected and qualified in accordance with the provisions of the Act, the Articles or other applicable charter documents of the Company or such affiliate; *provided, however*, that Director may at any time and for any reason resign from such positions (subject to any contractual obligation Director may have assumed apart from this Agreement), and that the Company or any affiliate shall have no obligation under this Agreement to continue Director in any such position.

2. Indemnity of Director; Insurance. Subject to, and to the maximum extent permitted by the Articles, the Act or other applicable law, the Company hereby agrees to hold harmless and indemnify Director from and against all matters of whatsoever nature and howsoever arising by reason of or in connection with Director’s provision of services under clause 1 above. During all periods that Director is providing services under clause 1 above, the Company shall maintain directors’ and officers’ insurance for the benefit of Director with insurers, and at coverage levels, customary for companies comparable in size and business to the Company.

3. Additional Indemnity. In addition to and not in limitation of the indemnification otherwise provided for herein, and subject only to the exclusions set forth in clause 4 hereof, the Company hereby further agrees to hold harmless and indemnify Director:

(a) against any and all expenses (including attorneys’ fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Director becomes legally

obligated to pay because of any claim or claims made against or by him or her in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative (including an action by or in the right of the Company) to which Director is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Director is, was or at any time becomes a director, auditor, secretary, other officer or agent of the Company, or is or was serving or at any time serves at the Company's request as a director, officer, employee or other agent of another company, partnership, joint venture, trust, employee benefit plan or other enterprise; and

(b) otherwise to the fullest extent as the Company may provide to Director under Article 96 of the Articles.

4. Limitations on Indemnity. The Company will not provide indemnity pursuant to clauses 3 and 5 hereof:

(a) on account of any determination or judgment against Director solely for an accounting of profits made from the purchase or sale by Director of securities of the Company pursuant to the provisions of Section 16(b) of the United States Securities Exchange Act of 1934 and amendments thereto or similar provisions of any United States federal, state or local statutory law;

(b) on account of Director's conduct that is established by a final judgment as knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(c) in respect of any liability that cannot be indemnified by reason of section 172 of the Act;

(d) on account of Director's conduct that is established by a final judgment as constituting a breach of Director's duty of loyalty to the Company or resulting in any personal profit or advantage to which Director was not legally entitled;

(e) for which payment is actually made to Director under a valid and collectible insurance policy (other than a policy maintained by Silver Lake Technology Management, L.L.C. or one of its affiliated management companies or investment funds) or under a valid and enforceable indemnity clause, article or agreement (other than any clause, article or agreement set forth in the limited partnership agreement of Silver Lake Partners II Cayman, L.P. or one of its affiliated management companies or investment funds), except in respect of any excess beyond payment under such insurance, clause, article or agreement;

(f) if indemnification is not lawful under the Act or otherwise; or

(g) in connection with any proceeding (or part thereof) initiated by Director, or any proceeding by Director against the Company or its directors, officers, employees or other agents, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the Company, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the Act, or (iv) the proceeding is initiated pursuant to clause 8 hereof.

5. Continuation of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period Director is a director, officer, employee or other agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or other agent of another company, partnership, joint venture, trust, employee benefit plan or other enterprise) and

shall continue thereafter so long as Director shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Director was serving in the capacity referred to herein.

6. Partial Indemnification. Subject to the exclusions in clause 4 hereof, Director shall be entitled under this Agreement to indemnification by the Company for a portion of the expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Director becomes legally obligated to pay in connection with any action, suit or proceeding referred to in clause 3 hereof even if not entitled hereunder to indemnification for the total amount thereof, and the Company shall indemnify Director for the portion thereof to which Director is entitled.

7. Notification and Defense of Claim. Not later than thirty (30) days after Director's receipt of notice of the commencement of any action, suit or proceeding with respect to which Director may make a claim in respect thereof against the Company under this Agreement, Director will notify the Company of the commencement thereof; but any omission to so notify the Company will not relieve the Company of any liability it may have to Director under this Agreement except to the extent, and only to the extent, it can be shown that Director's failure to timely notify directly caused damage to Director or the Company in such proceeding. Further, no such failure to notify shall relieve the Company of any liability it may have to Director otherwise than under this Agreement.

With respect to any such action, suit or proceeding for which Director provides notice to the Company of the commencement thereof:

(a) the Company will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, the Company may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense thereof, with counsel reasonably satisfactory to Director. After notice from the Company to Director of its election to assume the defense thereof, the Company will not be liable to Director under this Agreement for any legal or other expenses subsequently incurred by Director in connection with the defense thereof, except for reasonable costs of investigation or otherwise as provided below. Director shall have the right to employ separate counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of Director unless (i) the Company authorizes Director's employment of separate counsel, (ii) Director reasonably concludes, and so notifies the Company, that there is an actual conflict of interest between the Company and Director in the conduct of the defense of such action, or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of Director's separate counsel shall be at the Company's expense. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Director shall have made the conclusion provided for in clause (ii) above;

(c) the Company shall not be liable to indemnify Director under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent, which shall not be unreasonably withheld. The Company shall be permitted to settle any action in its discretion, provided, however, that any such settlement of an action with respect to which Director is to be indemnified hereunder shall include a full, unconditional release of Director, and provided further that no settlement may impose any penalty or limitation on Director without Director's written consent, which Director may give or withhold in Director's sole discretion;

(d) the Company shall advance all expenses Director incurs in connection with such proceeding promptly following Director's delivery of a written (i) request therefor and (ii) undertaking to repay said amounts if it is determined ultimately that Director is not entitled to be indemnified under the provisions of this Agreement, the Articles, the Act or otherwise; and

(e) nothing in this clause 7 shall entitle Director to any indemnification, reimbursement or payment other than in accordance with section 172 of the Act and applicable law.

8. Enforcement. Any right to indemnification or advances granted by this Agreement to Director shall be enforceable by or on behalf of Director in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within sixty (60) days of request therefor. Director, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his or her claim. It shall be a defense to any action for which a claim for indemnification is made under clauses 3 or 5 hereof that Director is not entitled to indemnification because of the limitations set forth in clause 4 hereof. Neither the failure of the Company (including its Board of Directors or its members) to have made a determination prior to the commencement of such enforcement action that indemnification of Director is proper in the circumstances, nor an actual determination by the Company (including its Board of Directors or its members) that such indemnification is improper shall be a defense to the action or create a presumption that Director is not entitled to indemnification under this Agreement or otherwise.

9. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Director, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

10. Non-Exclusivity of Rights. The rights conferred on Director by this Agreement shall not be exclusive of any other right which Director may have or hereafter acquire under any statute, provision of the Company's Memorandum and Articles of Association, agreement, vote of members or directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office.

11. Survival of Rights.

(a) The rights conferred on Director by this Agreement shall continue after Director has ceased to be a director, officer, employee or other agent of the Company or to serve at the request of the Company as a director, officer, employee or other agent of another company, partnership, joint venture, trust, employee benefit plan or other enterprise, and shall inure to the benefit of Director's heirs, executors and administrators.

(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place.

12. Separability. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof. Furthermore, if this Agreement shall be invalidated in its entirety on any ground, then

the Company shall nevertheless indemnify Director to the fullest extent provided by the Articles, the Act or any other applicable law.

13. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the Republic of Singapore.

14. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

15. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

16. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

17. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand to the party to whom such communication was directed or (ii) upon the third business day after the date on which such communication was mailed if mailed by certified or registered mail with postage prepaid:

(a) If to Director, at the address indicated on the signature page hereof.

(b) If to the Company, to:

AVAGO TECHNOLOGIES LIMITED
No. 1 Yishun Avenue 7
Singapore 768923
Attn: Secretary

With copy to:

Avago Technologies U.S. Inc.
350 West Trimble Road
Building 90
San Jose, CA 95131
Attention: General Counsel

or to such other address as the Company may have furnished to Director.

18. Merger. This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof, and supersedes any and all prior agreements and understandings between them with respect thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

AVAGO TECHNOLOGIES LIMITED

By:
Title:

DIRECTOR

Address:

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Hock E. Tan, certify that:

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

Date: September 13, 2013

/s/ Hock E. Tan

Hock E. Tan

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Anthony E. Maslowski, certify that:

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

Date: September 13, 2013

/s/ Anthony E. Maslowski

Anthony E. Maslowski

Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Avago Technologies Limited (the “Company”) for the quarter ended August 4, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Hock E. Tan, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 13, 2013

/s/ Hock E. Tan

Hock E. Tan

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Avago Technologies Limited (the "Company") for the quarter ended August 4, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Anthony E. Maslowski, interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 13, 2013

/s/ Anthony E. Maslowski

Anthony E. Maslowski

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.