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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)

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

For the quarterly period ended JANUARY 31, 1999 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 0-6920

APPLIED MATERIALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1655526

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3050 Bowers Avenue, Santa Clara, California	95054-3299

(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(408) 727-5555

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

Number of shares outstanding of the issuer's common stock as of January 31, 1999: 372,974,320

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APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)	Three Months Ended	
	Jan. 25, 1998	Jan. 31, 1999
Net sales.....	\$1,307,685	\$742,477
Cost of products sold.....	678,244	421,374

Gross margin.....	629,441	321,103
Operating expenses:		
Research, development and engineering.....	182,329	141,207
Marketing and selling.....	86,389	70,733
General and administrative.....	65,768	61,594
Non-recurring items	32,227	5,000

Income from operations.....	262,728	42,569
Income from litigation settlements.	80,000	20,000
Interest expense.....	11,864	11,470
Interest income.....	21,279	25,546

Income before taxes.....	352,143	76,645
Provision for income taxes.....	123,250	23,760

Net income.....	\$228,893	\$52,885
	=====	=====
Earnings per share:		
Basic.....	\$0.62	\$0.14
Diluted.....	\$0.60	\$0.14
Weighted average number of shares:		
Basic.....	366,894	370,530
Diluted.....	379,101	388,233

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS*

(In thousands)	Oct. 25, 1998	Jan. 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$575,205	\$562,401
Short-term investments.....	1,188,351	1,361,912
Accounts receivable, net.....	764,472	671,319
Inventories.....	555,881	552,779
Deferred income taxes.....	337,906	338,217
Other current assets.....	97,140	110,911
	-----	-----
Total current assets.....	3,518,955	3,597,539
Property, plant and equipment, net.....	1,261,520	1,226,701
Other assets.....	149,217	136,497
	-----	-----
Total assets.....	\$4,929,692	\$4,960,737
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable.....	\$644	\$ --
Current portion of long-term debt.....	7,367	7,652
Accounts payable and accrued expenses.....	1,041,341	876,618
Income taxes payable.....	68,974	158,689
	-----	-----
Total current liabilities.....	1,118,326	1,042,959
Long-term debt.....	616,572	616,902
Deferred income taxes and other liabilities.....	74,173	80,761
	-----	-----
Total liabilities.....	1,809,071	1,740,622
	-----	-----
Stockholders' equity:		
Common stock.....	3,679	3,730
Additional paid-in capital.....	792,145	842,664
Retained earnings.....	2,328,940	2,381,825
Accumulated other comprehensive income.....	(4,143)	(8,104)
	-----	-----
Total stockholders' equity.....	3,120,621	3,220,115
	-----	-----
Total liabilities and stockholders' equity.....	\$4,929,692	\$4,960,737
	=====	=====

* Amounts as of January 31, 1999 are unaudited. Amounts as of October 25, 1998 are from the October 25, 1998 audited financial statements.

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Three Months Ended	
	Jan. 25, 1998	Jan. 31, 1999
<hr style="border-top: 1px dashed black;"/>		
Cash flows from operating activities:		
Net income.....	\$228,893	\$52,885
Adjustments required to reconcile net income to cash provided by operations:		
Acquired in-process research and development expense.....	32,227	--
Depreciation and amortization.....	66,889	70,788
Deferred income taxes.....	(383)	92
Changes in assets and liabilities, net of amounts acquired:		
Accounts receivable.....	(77,545)	104,530
Inventories.....	(65,223)	3,702
Other current assets.....	(74,662)	(7,750)
Other assets.....	(1,572)	9,081
Accounts payable and accrued expenses.....	(47,182)	(171,883)
Income taxes payable.....	33,332	86,847
Other liabilities.....	8,437	3,904
Cash provided by operations.....	103,211	152,196
<hr style="border-top: 1px dashed black;"/>		
Cash flows from investing activities:		
Capital expenditures, net of retirements.....	(152,636)	(39,267)
Cash paid for licensed technology.....	(32,227)	--
Proceeds from sales of short-term investments...	252,429	194,831
Purchases of short-term investments.....	(228,030)	(368,392)
Cash used for investing.....	(160,464)	(212,828)
<hr style="border-top: 1px dashed black;"/>		
Cash flows from financing activities:		
Short-term debt activity, net.....	(1,943)	(2,699)
Long-term debt activity, net.....	(1,399)	(2,183)
Common stock transactions, net.....	(58,331)	52,130
Cash provided by/(used for) financing.....	(61,673)	47,248
Effect of exchange rate changes on cash.....	(804)	580
Decrease in cash and cash equivalents.....	(119,730)	(12,804)
Cash and cash equivalents - beginning of period...	448,043	575,205
Cash and cash equivalents - end of period.....	\$328,313	\$562,401

For the three months ended January 25, 1998, cash payments for interest and income taxes were \$870 and \$86,300, respectively. For the three months ended January 31, 1999, cash payments for interest were \$1,392 and net income tax refunds were \$63,787.

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED JANUARY 31, 1999

1) Basis of Presentation

In the opinion of management, the unaudited consolidated condensed financial statements of Applied Materials, Inc. (the Company) included herein have been prepared on a consistent basis with the October 25, 1998 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly present the information set forth therein. These interim consolidated financial statements should be read in conjunction with the October 25, 1998 audited consolidated financial statements and notes thereto. The Company's results of operations for the three months ended January 31, 1999 are not necessarily indicative of future operating results.

The Company's fiscal year ends on the last Sunday in October of each year. Fiscal 1998 contained 52 weeks, whereas fiscal 1999 will contain 53 weeks. The extra week in 1999 is in the first fiscal quarter.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

2) Earnings Per Share

The Company calculates earnings per share according to the

provisions of Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share." Basic earnings per share is determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined using the weighted average number of common shares and equivalents (representing the dilutive effect of stock options) outstanding during the period. For purposes of computing basic and diluted earnings per share, SFAS 128 does not require the Company's net income to be adjusted for any period presented.

For purposes of computing diluted earnings per share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period. For the three months ended January 25, 1998, options to purchase approximately 1,999,000 shares of common stock at an average price of \$41.14 were excluded from the computation, and for the three months ended January 31, 1999, options to purchase approximately 681,000 shares of common stock at an average price of \$48.93 were excluded from the computation.

3) Inventories

Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. The components of inventories are as follows (in thousands):

	October 25, 1998	January 31, 1999
	-----	-----
Customer service spares.....	\$239,139	\$229,627
Raw materials.....	98,180	85,540
Work-in-process.....	126,533	149,218
Finished goods.....	92,029	88,394
	-----	-----
	\$555,881	\$552,779
	=====	=====

4) Other Assets

The components of other assets are as follows (in thousands):

	October 25, 1998	January 31, 1999
	-----	-----
Purchased technology, net.....	\$91,218	\$87,519
Goodwill, net.....	11,614	11,111
Other.....	46,385	37,867
	-----	-----
	\$149,217	\$136,497
	=====	=====

Purchased technology and goodwill are presented at cost, net of accumulated amortization, and are being amortized over their estimated useful lives of eight years using the straight-line method. The Company periodically analyzes these assets to determine whether an impairment in carrying value has occurred.

5) Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses are as follows (in thousands):

October 25, January 31,

	1998	1999
Accounts payable.....	\$182,616	\$203,896
Compensation and benefits.....	185,391	127,097
Installation and warranty.....	179,742	161,833
Restructuring.....	91,781	41,160
Other.....	401,811	342,632
	-----	-----
	\$1,041,341	\$876,618
	=====	=====

6) Accrued Restructuring Costs

Restructuring activity during the first fiscal quarter of 1999 was as follows (in thousands):

	Severance and Benefits	Facilities	Total
	-----	-----	-----
Balance, October 25, 1998.....	\$35,286	\$56,495	\$91,781
Amount utilized.....	(27,792)	(22,829)	(50,621)
	-----	-----	-----
Balance, January 31, 1999.....	\$7,494	\$33,666	\$41,160
	=====	=====	=====

During the first fiscal quarter of 1999, \$34 million of cash was used for restructuring costs. The majority of the remaining cash outlays of \$29 million is expected to occur before the end of fiscal 1999. The remaining non-cash restructuring costs of \$12 million relate primarily to asset write-offs.

7) Acquisition

On October 12, 1998, the Company announced that it had entered into an agreement to acquire Consilium, Inc. (Consilium), a leading independent supplier of integrated semiconductor and electronics manufacturing execution systems software and services, in a stock-for-stock merger. The acquisition was consummated on December 11, 1998 and has been accounted for as a pooling of interests. The Company issued 1.7 million shares of its common stock to complete this transaction. Since Consilium's historical financial position and results of operations are not material in relation to the Company's historical financial position and results of operations, the Company's prior period financial statements have not been restated. Except for one-time transaction costs of \$5 million, the acquisition did not have a material effect on the Company's results of operations for the first fiscal quarter of 1999.

8) Licensed Technology

During the first fiscal quarter of 1998, the Company entered into an agreement with Trikon Technologies, Inc. for a non-exclusive, worldwide, perpetual license of MORI(tm) plasma source and Forcefill(tm) deposition technology. Because the development of this technology had not yet reached technological feasibility at the time of its acquisition and had no alternative future use, the Company recognized \$32 million, including transaction costs, of acquired in-process research and development expense at the time of its acquisition.

9) Litigation Settlement

During the first fiscal quarter of 1998, the Company settled all outstanding litigation with ASM International, N.V. (ASMI). As a result of this settlement, the Company received a convertible note for \$80 million, against which \$15 million was collected in November 1997.

During the fourth fiscal quarter of 1998, the Company determined, based on facts and circumstances known at the time, that collection of the remaining note balance was doubtful and recorded a \$65 million pre-tax, non-operating charge to fully reserve the outstanding note balance.

During the first fiscal quarter of 1999, and subsequent to the original maturity date of the note, the Company received a \$20 million payment from ASMI and recorded the amount as pre-tax, non-

operating income. ASMI's payment was made in accordance with a restructuring of ASMI's obligations under the November 1997 litigation settlement agreement. Pursuant to the new agreement, ASMI agreed to pay \$20 million upon completion of the restructuring, \$10 million on November 2, 1999 and \$35 million no later than November 2, 2000. The Company will recognize non-operating income related to the remaining balance of the note receivable on a cash receipts basis going forward. Certain other obligations of ASMI were also modified under the new agreement; however, these modifications are not expected to be material to the Company's financial condition or results of operations. Royalties received from ASMI pursuant to the settlement agreement have not been, and are not expected to be, material.

10) Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," in the first fiscal quarter of 1999. SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components, but does not impact net income or total stockholders' equity. The components of comprehensive income, on an after-tax basis, are as follows (in thousands):

	Three Months Ended	
	January 25, 1998	January 31, 1999
Net income.....	\$228,893	\$52,885
Foreign currency translation adjustments.....	(8,649)	(3,961)
Comprehensive income.....	\$220,244	\$48,924

Accumulated other comprehensive income presented in the accompanying consolidated condensed balance sheets consists entirely of accumulated foreign currency translation adjustments.

11) Subsequent Event

In February 1999, the Company announced that it had reached a settlement of patent litigation with STEAG AST Elektronik GmbH and its subsidiary STEAG AST Elektronik USA, Inc. (collectively "AST"). Under the settlement, patent suits and countersuits concerning rapid thermal processing (RTP) technologies were dismissed, certain technology was cross-licensed, and the Company agreed not to sue AST on its illuminator patents if AST does not use a particular RTP lamp array. The settlement is not expected to have a material effect on the Company's financial condition or results of operations.

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

In addition to historical statements, this Quarterly Report on Form 10-Q contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those stated or implied. Forward-looking statements are those that use the words "expects," "estimates," "will," "may," "anticipates," "believes" or similar expressions. These forward-looking statements reflect management's opinions only as of the date hereof, and Applied Materials, Inc. (the Company) assumes no obligation to update this information. Risks and uncertainties include, but are not limited to, those discussed below and in the section entitled "Trends, Risks and Uncertainties." Other risks and uncertainties are disclosed in the Company's prior SEC filings, including the Annual Report on Form 10-K for the fiscal year ended October 25, 1998.

Results of Operations

There continues to be uncertainty regarding global economies, demand for semiconductors, advanced technology requirements and the stability of memory device prices; therefore, for these and other reasons, the Company's results of operations for the three months ended January 31, 1999 are not necessarily indicative of future operating results.

New Orders and Backlog

The Company received new orders of \$1.0 billion for the first fiscal quarter of 1999, versus \$684 million for the fourth fiscal quarter of 1998 and \$1.3 billion for the first fiscal quarter of 1998. New orders improved from the fourth fiscal quarter of 1998 primarily due to higher Dynamic Random Access Memory (DRAM) prices and continued customer migration to advanced technologies. The decrease in new orders from the first fiscal quarter of 1998 is primarily the result of a lower level of capacity investments by semiconductor manufacturers.

New orders by region were as follows (dollars in millions):

	Three Months Ended			
	October 25, 1998		January 31, 1999	
	(\$)	(%)	(\$)	(%)
North America*	357	52	391	38
Europe	83	12	178	17
Japan	115	17	206	20
Korea	34	5	64	6
Taiwan	49	7	142	14
Asia-Pacific	46	7	48	5
Total	684	100	1,029	100

*Primarily the United States

The Company's backlog at January 31, 1999 was \$1.2 billion, versus \$917 million at October 25, 1998 and \$1.6 billion at January 25, 1998.

Net Sales

The Company's net sales for the first fiscal quarter of 1999 increased 10.3 percent from the fourth fiscal quarter of 1998 due primarily to a stronger DRAM market, as discussed above. Net sales for the first fiscal quarter of 1999 decreased 43.2 percent from the corresponding period of fiscal 1998, reflecting the lower order levels achieved during the industry downturn in the second half of fiscal 1998. For the first fiscal quarter of 1998, the Company achieved record net sales of \$1.3 billion, driven by strengthening demand for 0.25 micron and below leading-edge capability from logic device manufacturers, foundry capacity investments by customers located primarily in Taiwan and selected strategic investments by DRAM manufacturers.

Net sales by region were as follows (dollars in millions):

	Three Months Ended			
	January 25, 1998		January 31, 1999	
	(\$)	(%)	(\$)	(%)
North America*	471	36	324	44
Europe.....	196	15	135	18
Japan.....	222	17	121	16
Korea.....	52	4	30	4
Taiwan.....	288	22	96	13
Asia-Pacific...	79	6	36	5
Total.....	1,308	100	742	100

*Primarily the United States

Gross Margin

The Company's gross margin decreased from 48.1 percent for the three month period ended January 25, 1998 to 43.2 percent for the three month period ended January 31, 1999. The decrease in gross margin was caused primarily by a decrease in business volume, partially offset by the Company's efforts to improve efficiencies, reduce cycle times and lower material costs.

Operating Expenses (Excluding Non-Recurring Items)

Excluding non-recurring items, operating expenses as a percentage of net sales for the three months ended January 31, 1999 were 36.8 percent, versus 25.6 percent for the first fiscal quarter of 1998. The increase as a percentage of net sales is primarily attributable to lower business volume.

Non-Recurring Items

During the first fiscal quarter of 1998, the Company entered into an agreement with Trikon Technologies, Inc. for a non-exclusive, worldwide, perpetual license of MORI(tm) plasma source and Forcefill(tm) deposition technology. Because the development of this technology had not yet reached technological feasibility at the time of its acquisition and had no alternative future use, the Company recognized \$32 million, including transaction costs, of acquired in-process research and development expense at the time of its acquisition.

The Company's results of operations for the first fiscal quarter of 1999 include \$5 million of pre-tax operating expenses incurred in connection with the acquisition of Consilium, Inc., which was completed on December 11, 1998 and has been accounted for as a pooling of interests.

Litigation Settlements

During the first fiscal quarter of 1999, and subsequent to the original maturity date of a note received in connection with the November 1997 settlement of all outstanding litigation with ASM International, N.V. (ASMI), the Company received a \$20 million payment from ASMI and recorded the amount as pre-tax, non-operating income. Pursuant to a restructuring of the November 1997 settlement agreement, ASMI has also agreed to pay \$10 million on November 2, 1999 and \$35 million no later than November 2, 2000. The Company will recognize non-operating income related to the remaining balance of the note receivable on a cash receipts basis going forward. For further information, see Note 9 of Notes to Consolidated Condensed Financial Statements.

Interest Expense

Interest expense remained relatively consistent with the prior year, decreasing from \$12 million for the three months ended January 25, 1998 to \$11 million for the three months ended January 31, 1999. The Company's outstanding weighted average interest-bearing obligations and interest rates did not change significantly from period to period.

Interest Income

Interest income increased from \$21 million for the three months ended January 25, 1998 to \$26 million for the three months ended January 31, 1999. The increase resulted primarily from higher average cash, cash equivalents and short-term investment balances.

Provision for Income Taxes

The Company's effective income tax rate for the first fiscal quarter of 1999 was 31 percent, versus 35 percent for the first fiscal quarter of 1998. The reduced rate primarily reflects the reinstatement of the federal research and development (R&D) tax credit and favorable California income tax legislation with respect to R&D and manufacturers investment tax credits.

Subsequent Event

In February 1999, the Company announced that it had reached a settlement of patent litigation with STEAG AST Elektronik GmbH and its subsidiary STEAG AST Elektronik USA, Inc. (collectively "AST"). Under the settlement, patent suits and countersuits concerning rapid thermal processing (RTP) technologies were dismissed, certain technology was cross-licensed, and the Company agreed not to sue AST on its illuminator patents if AST does not use a particular RTP lamp array. The settlement is not expected to have a material effect on the Company's financial condition or results of operations.

Foreign Currencies

Significant operations of the Company are conducted in foreign currencies, primarily Japanese yen. Forward exchange and currency option contracts are purchased to hedge certain existing firm commitments and foreign currency denominated transactions expected to occur during the next year. Gains and losses on these contracts are recognized in income when the related transactions being hedged are recognized. Because the effect of movements in currency exchange rates on forward exchange and currency option contracts generally offsets the related effect on the underlying items being hedged, these financial instruments are not expected to subject the Company to risks that would otherwise result from changes in currency exchange rates. Net foreign currency gains and losses were not material for the three months ended January 31, 1999 or January 25, 1998.

Financial Condition, Liquidity and Capital Resources

The Company's financial condition at January 31, 1999 improved, with a ratio of current assets to current liabilities of 3.4:1, compared to 3.1:1 at October 25, 1998. The Company ended the quarter with cash, cash equivalents and short-term investments of \$1.9 billion.

The Company generated \$152 million of cash from operations during the first three months of fiscal 1999. The primary sources of cash from operations were net income (plus non-cash charges for depreciation and amortization expense) of \$124 million, a decrease in accounts receivable of \$105 million and an increase in income taxes payable of \$87 million. These sources were partially offset by a decrease in accounts payable and accrued expenses of \$172 million. During the first fiscal quarter of 1999, approximately \$159 million of trade notes and accounts receivable were sold at a discount to financial institutions.

The Company used \$213 million of cash for investing activities during the first three months of fiscal 1999, primarily for net purchases of property, plant and equipment (\$39 million) and short-term investments (\$174 million).

The Company generated \$47 million of cash from financing activities during the first three months of fiscal 1999, primarily from stock option exercises and stock sales to employees through a stock purchase plan.

The Company is authorized to systematically repurchase shares of its common stock in the open market to reduce the dilution resulting from its stock-based employee benefit and incentive plans. This authorization is effective until the March 2001 Annual Meeting of Stockholders. The Company did not repurchase any shares of its common stock during the three months ended January 31, 1999.

As of January 31, 1999, the Company's principal sources of liquidity consisted of \$1.9 billion of cash, cash equivalents and short-term investments and approximately \$600 million of available credit facilities. In addition to cash and available credit facilities, the Company may from time to time raise additional capital in the debt and equity markets. The Company's liquidity is affected by many factors, some of which are based on the normal ongoing operations of the business, and others of which relate to the uncertainties of global economies and the semiconductor and semiconductor equipment industries. Although the Company's cash requirements will fluctuate based on the timing and extent of these factors, management believes that cash generated from operations, together with the liquidity provided by existing cash balances and borrowing capability, will be sufficient to satisfy the Company's liquidity requirements for the next twelve months.

Acquisition

On October 12, 1998, the Company announced that it had entered into an agreement to acquire Consilium, Inc. (Consilium), a leading independent supplier of integrated semiconductor and electronics manufacturing execution systems software and services, in a stock-for-stock merger. The acquisition was consummated on December 11, 1998 and has been accounted for as a pooling of interests. The Company issued 1.7 million shares of its common stock to complete this transaction. Since Consilium's historical financial position and results of operations are not material in relation to the Company's historical financial position and results of operations, the Company's prior period financial statements have not been restated. Except for one-time transaction costs of \$5 million, the acquisition did not have a material effect on the Company's results of operations for the first fiscal quarter of 1999.

Trends, Risks and Uncertainties

Industry Volatility

The semiconductor equipment industry has historically been cyclical and subject to sudden changes in supply and demand. The timing, length and severity of these cycles are difficult to predict. During periods of reduced and declining demand, the Company must be able to quickly and effectively align its cost structure with prevailing market conditions, and motivate and retain key employees. During periods of rapid growth, the Company must be able to acquire and/or develop sufficient manufacturing capacity to meet customer demand, and hire and assimilate a sufficient number of qualified people. There can be no assurance that the Company will be able to achieve these objectives in a timely manner during these industry cycles.

DRAM Prices

The DRAM market improved during the first fiscal quarter of 1999 as device prices reached a level that enabled semiconductor manufacturers to increase capital spending. If DRAM pricing deteriorates, demand for the Company's products could be materially and adversely affected.

PC Demand

Further shifts in demand from more expensive, high-performance products to lower-priced products (sub-\$1,000 PCs), or lower overall demand for PCs, could result in reduced profitability for, and lower capital spending by, semiconductor manufacturers, which could materially and adversely affect demand for the Company's products.

Asian Economies

Although Asian economies have stabilized to some degree, the Company remains cautious about macroeconomic developments in Japan and China. These two countries are primarily responsible for the overall financial health of the region and if their economies remain stagnant or deteriorate further, the economies of other countries, particularly those in Asia, could also be negatively affected. This could have a material adverse effect on demand for the Company's products.

Global Business

The Company sells systems and provides services to customers located throughout the world. Managing global operations and sites located throughout the world presents challenges associated with, among other things, cultural diversities and organizational alignment. Moreover, each region in the global semiconductor equipment market exhibits unique characteristics that can cause capital equipment investment patterns to vary significantly from period to period. Periodic economic downturns, trade balance issues, political instability and fluctuations in interest and currency exchange rates are all risks that could materially and adversely affect global demand for the Company's products and services.

Highly Competitive Industry and Rapid Technological Change

The Company operates in a highly competitive industry characterized by increasingly rapid technological changes. The Company's competitive advantage and future success depend on its ability to develop new products and technologies, to develop new markets in the semiconductor industry for its products and services, to introduce new products to the marketplace on a timely basis, to qualify new products with its customers, and to commence production to meet customer demands.

New products and technologies include those for copper interconnect, processing of 300mm wafers and production of 0.18 micron and below devices. The introduction of new products and technologies grows increasingly complex over time. If the Company does not develop and introduce new products and technologies in a timely manner in response to changing market conditions or customer requirements, its financial condition and results of operations could be materially and adversely affected.

The Company seeks to develop new technologies from both internal and external sources. As part of this effort, the Company may make acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. Acquisitions involve numerous risks, including, but not limited to: difficulties and increased costs in connection with integration of the operations, technologies, and products of the acquired companies; possible write-downs of impaired assets; diverting management's attention; and the potential loss of key employees of the acquired companies. The inability to effectively manage these risks could materially and adversely affect the Company's business, financial condition and results of operations.

Dependence Upon Key Suppliers

The Company uses numerous suppliers to supply parts, components and subassemblies (collectively "parts") for the manufacture and support of its products. Although the Company makes reasonable efforts to ensure that parts are available from multiple suppliers, this is not always possible; accordingly, certain key parts may be obtained from a single supplier or a limited group of suppliers. These suppliers are, in some cases, thinly capitalized, independent companies that generate significant portions of their business from the Company and/or a small group of other companies in the semiconductor industry. The Company has sought, and will continue to seek, to minimize the risk of production and service interruptions and/or shortages of key parts by: 1) selecting and qualifying alternative suppliers for key parts; 2) monitoring the financial stability of key suppliers; and 3) maintaining appropriate inventories of key parts. There can be no assurance that the Company's results of operations will not be materially and adversely affected if, in the future, the Company does not receive sufficient parts to meet its requirements in a timely and cost-effective manner.

Backlog

The Company's backlog increased from \$917 million at October 25, 1998 to \$1.2 billion at January 31, 1999. The Company schedules production of its systems based upon order backlog and customer commitments. Backlog includes only orders for which written authorizations have been accepted and shipment dates within 12 months have been assigned. However, customers generally may delay delivery of products or cancel orders. Due to possible customer changes in delivery schedules and cancellation of orders, the Company's backlog at any particular date is not necessarily indicative of actual sales for any succeeding period. A reduction of backlog during any particular period could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Related to "Year 2000" Compliance

The Company has established a Year 2000 Program Office to address certain Year 2000 issues. This office focuses on four key readiness programs: 1) Internal Infrastructure Readiness, addressing internal hardware and software, including both information technology and non-information technology systems; 2) Supplier Readiness, addressing the preparedness of suppliers providing material incorporated into the Company's products; 3) Product Readiness, addressing product functionality; and 4) Customer Readiness, addressing customer support and transactional activity. For each readiness area, the Company is systematically performing a global risk assessment, conducting testing and remediation (renovation and implementation), developing contingency plans to mitigate unknown risk, and communicating Year 2000 information to employees, suppliers, customers and other third parties.

Internal Infrastructure Readiness Program

The Company, assisted by a third party, has completed an inventory of internal applications and information technology hardware and has commenced work on remediation strategies and testing. Readiness activities are intended to encompass all major categories of applications in use by the Company, including applications used for manufacturing, engineering, sales, finance and human resources. Approximately 70 percent of mission critical applications have either been tested and determined to be Year 2000 ready or are undergoing testing but are believed to be Year 2000 ready based upon representations by the supplier of the application. All other mission critical applications are in the process of remediation. All software remediation is scheduled to be completed by July 1, 1999. The Year 2000 compliance evaluation of hardware, including hubs, routers, telecommunication equipment, workstations and other items, is complete, and corrective action is scheduled to be completed by July 1, 1999. In addition to applications and information technology hardware, the Company has assessed its non-information technology systems, including embedded systems, facilities and other operations, such as financial, banking, security and utility systems. Remediation activity is underway and scheduled for completion by July 1, 1999. A contingency plan addressing issues related to the Company's internal infrastructure will be developed when ongoing testing and remediation activities are complete. Although the Company believes it is feasible to complete its evaluation and remediation efforts according to its current schedule, there can be no assurance that all such activities will be completed on time, or that such efforts will be successful.

Supplier Readiness Program

This program focuses on minimizing two areas of risk associated with suppliers: 1) a supplier's product integrity; and 2) a supplier's business capability to continue providing products and services. The Company has identified and contacted key suppliers regarding their relative risks in these two areas. To date, the Company has received responses from approximately 95 percent of its key suppliers, most of which indicate that the products provided to the Company are either Year 2000 compliant or will be made Year 2000 compliant before the year 2000. The responses also indicate that most suppliers are in the process of developing or executing remediation plans to address Year 2000 issues that may affect their ability to continue providing products and services to the Company. For key suppliers, the Company has entered into an agreement with an external consultant to conduct onsite audits of the suppliers' Year 2000 readiness. These audits are scheduled to be completed by June 30, 1999. Based on the results of these audits and the Company's assessment of each supplier's Year 2000 readiness, the Company will develop a supplier action list and contingency plan for each supplier at risk. However, no assurance can be provided regarding the effect or timely implementation of such action list or contingency plans, or that suppliers will sufficiently address their Year 2000 issues to enable them to continue providing products and services to the Company in a timely manner.

Product Readiness Program

This program focuses on identifying and resolving Year 2000 issues existing in the Company's products. The program encompasses a number of activities, including testing, evaluation, engineering and manufacturing implementation. The Company has completed a Year 2000 readiness evaluation for its current generation of released products based upon a series of industry-recognized testing scenarios.

In connection with the Company's Year 2000 readiness evaluation, the Company focused on identifying Year 2000 issues in two major categories: machine control software and product embedded

processors. The Company performed impact studies for each product, based on a representative configuration. In addition, by focusing on the Company's parts most likely to include embedded processors, the Company narrowed the number of parts requiring further evaluation from several thousand to approximately 600 that could contain embedded processors that may present potential Year 2000 issues. These 600 parts were evaluated further and tested as required.

The Company's evaluation indicated that no human or equipment safety impacts or product process control impacts are expected due to the Year 2000 problem, but that certain screen displays, log files and interface programs may be affected. The Company has taken corrective action to address these affected displays, files and programs, and has remediated any affected embedded processors. In addition, the Company has informed customers of certain potential product-specific impacts of the Year 2000 on the Company's products.

Testing and engineering activity for the Company's current generation of products is complete, and unless otherwise requested by a customer, all products that shipped on or after January 1, 1999 were Year 2000 ready. However, the Company plans to make a contingency team available to address issues related to product readiness as a component of its Customer Readiness Program discussed below. There can be no assurance that product testing has identified all Year 2000 related issues or that the Company will effectively address every failure of its products resulting from Year 2000 issues.

Customer Readiness Program

This program focuses on customer support issues, including the coordination of retrofit activity, testing existing customer electronic transaction capability, and providing other services to the Company's customers. The Company, in cooperation with its customers, has completed an inventory and assessment of products in use at substantially all of its customers' sites. The Company is offering different upgrade packages for its products, including various parts, software and services in the form of "Year 2000 ready kits." For any customer requesting an upgrade to a system that shipped after January 1, 1997, the upgrade is scheduled to be completed by June 30, 1999. For systems that shipped prior to January 1, 1997, the upgrade schedule is determined by customer requirements. The Customer Readiness Program plans to make a contingency team available, through the year 2000, to customers experiencing difficulty with the Company's products. There can be no assurance, however, that these activities will prevent or effectively address the occurrence of Year 2000 related problems in the Company's products in use at customer sites.

The Company estimates that total Year 2000 costs will range from \$30 million to \$50 million, the majority of which will be incurred by January 2000. To date, costs incurred directly for Year 2000 activities have totaled \$6 million. This amount includes costs to support customer satisfaction programs and services and other internal costs, but does not include the cost of internal hardware and software that was to be replaced in the normal course of business but has been accelerated because of Year 2000 capability concerns. The Company is continuing its assessments and developing alternatives that will require changes to this estimate over time. There can be no assurance, however, that there will not be a delay in, or increased costs associated with, the programs described in this section.

In conjunction with the Company's due diligence examination of Consilium, which was acquired in December 1998, the Company conducted a limited evaluation of Consilium's Year 2000 readiness. Since then, the Company has further evaluated certain areas related to Consilium's internal information technology and other systems, and has discussed other readiness areas with the employees responsible for Consilium's Year 2000 program. The Company is currently evaluating Consilium's Year 2000 policies and programs regarding their information technology and other systems, suppliers and products, and is also integrating Consilium's policies and programs into the Company's Year 2000 program. Until the Company has completed its evaluation, there can be no assurances concerning the Year 2000 readiness of Consilium's products and systems, the probability that remediation efforts related to Consilium's products and systems will be successful, or the materiality of the costs of such assessment and remediation.

The programs described in this section are ongoing and, as such, the Company may not yet have identified all potential Year 2000 complications. Therefore, at this time, the Company cannot determine the potential impact of these complications and contingencies on the Company's financial condition and results of

operations. If computer systems used by the Company or its suppliers, or the software applications used in systems manufactured and sold by the Company, fail or experience significant difficulties related to the Year 2000, the Company's financial condition and results of operations could be materially and adversely affected.

Foreign Currency

Significant operations of the Company are conducted in foreign currencies, primarily Japanese yen. The Company actively manages its exposure to changes in currency exchange rates, but there can be no assurance that future changes in currency exchange rates will not have a material and adverse effect on the Company's financial condition or results of operations.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between each of their existing sovereign currencies and the Single European Currency (the "euro"). The participating countries adopted the euro as their common legal currency on that date, with a transition period through January 1, 2002 regarding certain elements of the euro change. In early January, the Company implemented changes to its internal systems to make them euro capable. The cost of systems modifications to date has not been material, nor are future systems modifications expected to be material. The Company does not expect the transition to, or use of, the euro to materially and adversely affect its business, financial condition or results of operations.

Litigation

The Company is currently involved in litigation regarding patent infringement, intellectual property rights, antitrust and other matters (see Part II, Item 1) and could become involved in additional litigation in the future. The Company from time to time receives and makes inquiries regarding possible patent infringement, and is subject to various other legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. There can be no assurance regarding the outcome of current or future litigation or patent infringement inquiries.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has performed an analysis to assess the potential effect of reasonably possible near-term changes in interest and foreign currency exchange rates. The effect of such rate changes is not expected to be material to the Company's cash flows, financial condition or results of operations. Net foreign currency gains and losses were not material for the three months ended January 31, 1999.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

AST and AG

In April 1997, the Company initiated separate lawsuits against STEAG AST Electronik GmbH and STEAG AST Electronik USA, Inc. (collectively "AST"), and AG Associates, Inc. (AG) (case no. C-97-20375-RMW) in the United States District Court for the Northern District of California, alleging infringement of certain patents concerning rapid thermal processing (RTP) technology. In October 1997, AST and AG each filed counterclaims against the Company alleging patent infringement concerning related technology.

In February 1999, the Company announced that it had reached a settlement of patent litigation with AST. Under the settlement, patent suits and countersuits concerning RTP technologies were dismissed, certain technology was cross-licensed, and the Company agreed not to sue AST on its illuminator patents if AST does not use a particular RTP lamp array. The settlement is not expected to have a material effect on the Company's financial condition or results of operations.

Discovery in the case the Company brought against AG has commenced, and trial has been set for September 1999. In August 1998, AG filed two separate patent infringement lawsuits against the Company, one in the United States District Court for the Northern District of California (case no. C98-03044-WHO) and one in the United States District Court for the District of Delaware (civil action no. 98-479). On February 2, 1999, the Delaware District

Court issued an order transferring that case to the Northern District of California. No trial dates have been set in these actions. The Company continues to believe it has meritorious claims and defenses against AG, and intends to pursue them vigorously.

KLA

As a result of the Company's acquisition of Orbot Instruments, Ltd. (Orbot), the Company is involved in a lawsuit captioned KLA Instruments Corporation (KLA) v. Orbot (case no. C93-20886-JW) in the United States District Court for the Northern District of California. KLA alleges that Orbot infringes a patent regarding equipment for the inspection of masks and reticles, and seeks an injunction, damages and such other relief as the Court may find appropriate. There has been limited discovery, but no trial date has been set. Management believes it has meritorious defenses and intends to pursue them vigorously.

Varian and Novellus

On June 13, 1997, the Company filed a lawsuit against Varian Associates, Inc. (Varian) captioned Applied Materials, Inc. v. Varian Associates, Inc. (case no. C-97-20523-RMW), alleging infringement of several of the Company's patents concerning physical vapor deposition (PVD) technology. The complaint was later amended on July 7, 1997 to include Novellus Systems, Inc. (Novellus) as a defendant as a result of Novellus' acquisition of Varian's thin film systems PVD business. The Company seeks damages for past infringement, a permanent injunction, treble damages for willful infringement, pre-judgment interest and attorneys' fees. Varian answered the complaint by denying all allegations, counterclaiming for declaratory judgment of invalidity and unenforceability and alleging conduct by the Company in violation of antitrust laws. On June 23, 1997, Novellus filed a separate lawsuit against the Company captioned Novellus Systems, Inc. v. Applied Materials, Inc. (case no. C-97-20551-EAI), alleging infringement by the Company of three patents concerning PVD technology that were formerly owned by Varian. On July 8, 1997, Varian filed a separate lawsuit against the Company captioned Varian Associates, Inc. v. Applied Materials, Inc. (case no. C-97-20597-PVT), alleging a broad range of conduct in violation of federal antitrust laws and state unfair competition and business practice laws. Discovery has commenced in these actions, but no trial dates have been set. Management believes it has meritorious claims and defenses and intends to pursue them vigorously.

OKI

In November 1997, OKI Electric Industry, Co., Ltd. (OKI) filed suit against one of the Company's wholly-owned subsidiaries, Applied Materials Japan (AMJ), in Tokyo District Court in Japan, alleging that AMJ is obligated to indemnify OKI for a portion of patent license royalties paid by OKI to Texas Instruments, Inc. Several hearings have been held, but no trial date has been set. Management believes it has meritorious defenses and intends to pursue them vigorously.

The Company is subject to various other legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. Although the outcome of these claims cannot be predicted with certainty, management does not believe that any of these legal matters will have a material adverse effect on the Company's financial condition or results of operations.

Item 5. Other Information

The ratio of earnings to fixed charges for the three months ended January 25, 1998 and January 31, 1999, and for each of the last five fiscal years, was as follows:

Fiscal Year					Three Months Ended	
1994	1995	1996	1997	1998	Jan. 25, 1998	Jan. 31, 1999
13.37x	21.25x	20.14x	18.96x	6.92x	20.10x	5.26x

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

3(ii)(a) Amendment to Bylaws dated September 4, 1998.

3(ii)(b) Bylaws of Applied Materials, Inc. (as amended to September 4, 1998).

10.1 Applied Materials, Inc. Employees' Stock Purchase Plan (as amended and restated December 10, 1998), previously filed as Appendix A to the Company's Definitive Proxy Statement dated February 22, 1999, and incorporated herein by reference.

10.2 Amendment dated January 26, 1999 to Receivables Purchase Agreement dated October 22, 1998 between Applied Materials, Inc. and Deutsche Financial Services Corporation.

10.3 Receivables Purchase Agreement dated January 26, 1999 between Applied Materials, Inc. and Deutsche Financial Services (UK) Limited.

27.0 Financial Data Schedule for the three months ended January 31, 1999: filed electronically.

b) The Company did not file a report on Form 8-K during its first fiscal quarter of 1999.

SIGNATURE

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.

APPLIED MATERIALS, INC.

March 9, 1999

By: /s/ Joseph R. Bronson

Joseph R. Bronson
Senior Vice President,
Office of the President,
Chief Financial Officer and
Chief Administrative Officer
(Principal Financial Officer)

By: /s/ Michael K. O'Farrell

Michael K. O'Farrell
Vice President,
Global Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
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27.0	Financial Data Schedule for the three months ended January 31, 1999: filed electronically.

RESOLUTIONS OF THE
BOARD OF DIRECTORS OF
APPLIED MATERIALS, INC.

Adopted on September 4, 1998

EXHIBIT A
AMENDMENT TO BYLAWS - ADVANCE NOTICE

RESOLVED, that the first sentence of the first paragraph of Section 2.5 of this Company's Bylaws be amended to read in full as follows:
"No nominations for director of the corporation by any person other than the board of directors shall be presented to any meeting of stockholders unless the person making the nomination is a record stockholder and shall have delivered a written notice to the secretary of the corporation no later than the close of business forty-five days prior to the month and day of mailing the prior year's proxy statement."

RESOLVED, FURTHER, that the first sentence of the second paragraph of Section 2.5 of this Company's Bylaws be amended to read in full as follows:
"No proposal by any person other than the board of directors shall be submitted for the approval of the stockholders at any regular or special meeting of the stockholders of the corporation unless the person advancing such proposal shall have delivered a written notice to the secretary of the corporation no later than the close of business forty-five days prior to the month and day of mailing the prior year's proxy statement."

BYLAWS
OF
APPLIED MATERIALS, INC.
(a Delaware corporation)

(As amended to September 4, 1998)

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BYLAWS
OF
APPLIED MATERIALS, INC.

ARTICLE I

OFFICES

.1 Registered Office. The registered office of the corporation in the State of Delaware shall be Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

.2 Other Offices. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

.1 Place of Meetings. Meetings of stockholders shall be held at such place, either, within or without the State of Delaware, as may be designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the corporation's principal executive offices.

.2 Annual Meeting. The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

.3 Special Meeting. Special meetings of the stockholders may be called at any time by the board of directors, or by the chairman of the board, or by the president of the corporation.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

.4 Notice of Stockholders' Meetings. All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

.5 Advance Notice of Stockholder Nominees. No nominations for director of the corporation by any person other than the board of directors shall be presented to any meeting of stockholders unless the person making the nomination is a record stockholder and shall have delivered a written notice to the secretary of the corporation no later than the close of business forty-five days prior to the month and day of mailing the prior year's proxy statement. Such notice shall (i) set forth the name and address of the person advancing such nomination and the nominee, together with such information concerning the person making the nomination and the nominee as would be required by the appropriate Rules and Regulations of the Securities and Exchange Commission to be included in a proxy statement soliciting proxies for the election of such nominee, and (ii) shall include the duly executed written consent of such nominee to serve as director if elected.

No proposal by any person other than the board of directors shall be submitted for the approval of the stockholders at any regular or special meeting of the stockholders of the corporation unless the person

advancing such proposal shall have delivered a written notice to the secretary of the corporation no later than the close of business forty-five days prior to the month and day of mailing the prior year's proxy statement. Such notice shall set forth the name and address of the person advancing the proposal, any material interest of such person in the proposal, and such other information concerning the person making such proposal and the proposal itself as would be required by the appropriate Rules and Regulations of the Securities and Exchange Commission to be included in a proxy statement soliciting proxies for the proposal.

.6 Manner of Giving Notice; Affidavit of Notice. Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

.7 Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. Except as otherwise required by law, the certificate of incorporation or these bylaws, the affirmative vote of the majority of such quorum shall be deemed the act of the stockholders. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

.8 Adjourned Meeting; Notice. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

.9 Conduct of Business. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

.10 Voting. Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. Voting may be by voice or by ballot as the presiding officer of the meeting of the stockholders shall determine. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

.11 Waiver of Notice. Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

.12 Record Date for Stockholder Notice; Voting; Giving Consents. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

.13 Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after one year from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

ARTICLE III

DIRECTORS

.1 Powers. Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

.2 Number of Directors. The board of directors shall consist of eleven persons until changed by a proper amendment of this Section 3.2.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

.3 Election, Qualification and Term of Office of Directors. Except as provided in Section 3.4 of these bylaws, directors shall be elected at each annual meeting of stockholders. Directors need not be stockholders. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Elections of directors need not be by written ballot.

.4 Resignation and Vacancies. Any director may resign at any time upon written notice to the attention of the secretary of the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for

the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

The stockholders may elect a director at any time to fill any vacancy not filled by the directors.

If a vacancy is the result of action taken by the shareholders under Section 3.13 of these bylaws, then the vacancy shall be filled by the holders of a majority of the shares then entitled to vote at an election of directors.

.5 Place of Meetings; Meetings by Telephone. The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this bylaw shall constitute presence in person at the meeting.

.6 Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

.7 Special Meetings; Notice. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least 48 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

.8 Quorum. At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

.9 Waiver of Notice. Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction

of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

.10 Board Action by Written Consent Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

.11 Fees and Compensation of Directors. The board of directors shall have the authority to fix the compensation of directors.

.12 Approval of Loans to Officers. The corporation may lend money to, or guarantee any obligations of, or otherwise assist any officer or other employee of the corporation or any of its subsidiaries, including any officer or employee who is a director of the corporation or any of its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance, or an employee benefit or employee financial assistance plan adopted by the board of directors or any committee thereof authorizing any such loan, guaranty or assistance, may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such a manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

.13 Removal of Directors. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

.14 Chairman of the Board of Directors. The corporation may also have, at the discretion of the board of directors, a chairman of the board of directors who may be considered an officer of the corporation.

ARTICLE IV

COMMITTEES

.1 Committees of Directors. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation, or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution, bylaws or certificate of incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

.2 Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

.3 Meetings and Action of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

.1 Officers. The officers of the corporation shall be a president, a chief financial officer (who may be a vice president or treasurer of the corporation) and a secretary. The corporation may also have, at the discretion of the board of directors, a chairman of the board of directors, one or more senior vice presidents and one or more other officers. One or more officers may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

.2 Election of Officers. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be elected by the board of directors.

.3 Appointed Officers. The chief executive officer of the corporation, or such other officer as the board of directors shall select, may appoint, or the board of directors may appoint, such officers and agents of the corporation as, in his or their judgment, are necessary to conduct the business of the corporation. Each such officer shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors or the chief executive officer may from time to time determine.

.4 Removal and Resignation of Officers. Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer elected by the board of directors, by the chief executive officer or such other officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

.5 Vacancies in Offices. Any vacancy occurring in any office of the corporation shall be filled by the board of directors, except for vacancies in the offices of subordinate officers which may be filled pursuant to Section 5.3 hereof.

.6 Chairman of the Board. The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and the stockholders and exercise and perform such other powers and duties as may be from time to time assigned by the board of directors or prescribed by the bylaws.

.7 President. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. In the absence or nonexistence of a chairman of the board, he shall preside at all meetings of the stockholders and at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

.8 Senior Vice Presidents and Vice Presidents. In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

.9 Secretary. The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

.10 Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

.11 Representation of Shares of Other Corporations. The chairman of the board, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

.12 Authority and Duties of Officers. In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors.

ARTICLE VI

RECORDS AND REPORTS

.1 Maintenance and Inspection of Records. The corporation shall, either at its principal executive offices or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and

its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

.2 Inspection by Directors. Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VII

GENERAL MATTERS

.1 Execution of Corporate Contracts and Instruments. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

.2 Stock Certificates; Partly Paid Shares. The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the board of directors, or the president or vice president, and by the chief financial officer, the treasurer, or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

.3 Special Designation on Certificates. If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications,

limitations or restrictions of such preferences and/or rights.

.4 Lost Certificates. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

.5 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

.6 Dividends. The directors of the corporation, subject to any restrictions contained in the General Corporation Law of Delaware or the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

.7 Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

.8 Seal. The board of directors may adopt a corporate seal, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

ARTICLE VIII

AMENDMENTS

.1 Amendments. The bylaws of the corporation may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the board of directors

AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT ("Amendment") is entered into as of the 26th day of January, 1999 by and between DEUTSCHE FINANCIAL SERVICES CORPORATION ("Purchaser") and APPLIED MATERIALS, INC. ("Seller").

RECITALS

A. Purchaser and Seller are parties to that certain Receivables Purchase Agreement dated as of October 22, 1998 (as amended from time to time, the "Purchase Agreement"). Capitalized terms used but not defined herein shall have the meanings given them in the Purchase Agreement.

B. Pursuant to the terms of the Purchase Agreement, Purchaser purchased from Seller certain Receivables, as defined therein.

C. The parties now desire to provide for the purchase of a new pool of Receivables, as will be described more fully herein.

D. The parties now desire to amend certain terms and conditions of the Purchase Agreement, on and subject to the terms hereof.

NOW, THEREFORE, in consideration of the forgoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Tranche B Receivables. For purposes hereof, the "Tranche B Receivables" shall mean those Receivables that the Purchaser and the Seller agree shall be treated as Tranche B Receivables. The Tranche B Receivables are subject to the Payment Terms described on Exhibit III (Tranche B) attached hereto and incorporated herein by this reference. All other Receivables shall be referred to as "Tranche A Receivables".

2. Amendments Regarding the Tranche B Receivables. Purchaser and Seller each hereby agree that the Purchase Agreement is hereby amended as follows, solely with respect to the Tranche B Receivables:

(a) Section 1.1 - New Definitions. Solely with respect to the Tranche B Receivables, the following terms are hereby amended in their entirety to read as follows:

Collection Settlement Date. With respect to each Funding Date in connection with the sale of Sold Receivables to Purchaser, the related First Collection Settlement Date (the 90th day after such Funding Date or if such date is not a Business Day, the Business Day thereafter), and to the extent the Outstanding Balances of such Sold Receivables have not been reduced to zero, each succeeding Business Day.

Defaulted Receivable. (i) A Sold Receivable that the Collection Agent determines in good faith to be uncollectible, or (ii) a Sold Receivable which remains unpaid, for any reason, including without limitation, set off by the Obligor (whether in connection with the same or a related transaction or unrelated transaction) or a bankruptcy proceeding of the Obligor where the Obligor is the debtor, more than 60 days from the Billing Date.

Discount. With respect to any Sold Receivable, an amount equal to the product of: (a) the LIBOR Rate-Three Month plus ninety-eight one-hundredths of one percent (0.98%) per annum of the Outstanding Balance of such Sold Receivable, and (b) 90/365.

First Collection Settlement Date. With respect to each Funding Date that date which is ninety (90) days after such Funding Date, provided that if such date is not a Business Day, then the First Collection Settlement Date shall be the next succeeding Business Day.

Ineligible Receivables. Shall mean any of the following, as determined by Purchaser in its reasonable discretion, at the time of each Purchase hereunder:

(a) Receivables created from the sale of Goods and services not in accordance with Seller's Payment Terms as described in Exhibit III (Tranche B), attached hereto;

(b) Receivables created from the sale of Goods that allow for payment to be made more than sixty (60) days after the Billing Date and/or Receivables which are unpaid more than sixty (60) days from the Billing Date;

(c) all Receivables of an Obligor if fifty percent (50%) or more of the Outstanding Balance of all such Obligor's Receivables are more than sixty (60) days past the applicable due date;

(d) all Receivables of an Obligor if the Outstanding Balance of all Sold Receivables of such Obligor exceeds either (i) Fifty Million Dollars (\$50,000,000.00) (or any other Dollar limitations as may be set forth on Schedule B hereto, as amended from time to time) or as otherwise agreed to by Purchaser, or (ii) fifty percent (50%) of the Outstanding Balance of all Eligible Receivables;

(e) Receivables with respect to which the Obligor is an officer, employee, agent, parent, Subsidiary or affiliate of Seller or has common officers or directors with Seller;

(f) Receivables arising out of any consignment sale;

(g) Receivables with respect to which the payment by the Obligor is conditional, other than as may be required by applicable statute;

(h) Receivables with respect to which the Obligor is not a commercial or institutional entity;

(i) Receivables with respect to which Seller is or may become liable to the Obligor thereof for goods sold or services rendered by such Obligor to Seller, other than as may be required by applicable statute;

(j) Receivables with respect to which any warranty or representation provided in Sections 7.3, 8.4 or 8.8 is not true and correct;

(k) Receivables which represent goods purchased for a personal, family or household purpose;

(l) Receivables which are progress payment, retention or contra accounts;

(m) Receivables with respect to which the Obligor is in default of any material provision of any agreement between Seller and Obligor governing such Receivable, including, without limitation, Receivables paid with checks returned and marked "Insufficient Funds" and Receivables which are otherwise in dispute and, in each case, not resolved within thirty (30) days;

(n) Receivables arising pursuant to documentation not satisfactory to Purchaser in its sole discretion;

(o) Receivables on which the Obligor is not located in the United States if such Receivable is not fully secured by foreign credit insurance or letter of credit, in each case acceptable to Purchaser in its sole discretion;

(p) Receivables which were not incurred in the ordinary course of Seller's business;

(q) Receivables which, prior to sale, were not owned by Seller; or

(r) any and all other Receivables which Purchaser deems to be unacceptable; provided, however, that Receivables of the Obligors listed on Schedule B (Tranche B) which also satisfy paragraphs (c) through (q) above, shall be deemed acceptable to Purchaser, subject to any limitations in such Schedule B (Tranche B);

provided, however, that Seller and Purchaser may agree in writing that any Receivable that would otherwise be an Ineligible Receivable shall be treated for all purposes as an Eligible Receivable.

LIBOR Rate-Three Month. Shall mean for any Purchase, the London Interbank Offered Rate (LIBOR) for three-month deposits in U.S. Dollars that appears on Page 3745 of the Bloomberg News Service (or any other page that may replace any such page on such service in the reasonable judgment of Purchaser) on the third Business Day immediately preceding a Funding Date.

Net Purchase Price. With respect to any Eligible Receivable, the total Outstanding Balance of such Eligible Receivable, minus:
(i) the Discount attributable to such Eligible Receivable, as

determined as of the Settlement Date and (ii) Thirty One-Hundredths of One Percent (0.30%) of the total Outstanding Balance of such Eligible Receivable, as of such Settlement Date.

(b) Section 3.1(B)(4). Solely with respect to the Tranche B Receivables, Section 3.1(B)(4) is hereby amended in its entirety to read as follows:

"(4) In the enforcement or collection of any Sold Receivable, the Collection Agent must obtain Purchaser's prior written consent to name Purchaser as a party in any legal proceeding; provided, however, that nothing contained herein shall limit Purchaser's right, exercisable in its sole discretion, following demand made by Purchaser on Seller and Seller's refusal or inability to proceed against an Obligor, to sue or proceed against any Obligor in its own name at any time upon two (2) days prior written notice to Seller after the 90th day after the applicable Funding Date. Moreover, notwithstanding the foregoing, (i) following the occurrence and during the continuance of any Event of Default after notice to Seller, (ii) if Seller has determined in good faith that a Sold Receivable is uncollectible, or (iii) if (1) an Obligor becomes insolvent or becomes subject to the Federal Bankruptcy Code, any state insolvency law or any similar law, as a debtor, (2) an Obligor makes a general assignment for the benefit of creditors, or (3) a receiver is appointed for any assets of an Obligor; no demand by Purchaser on Seller shall be required before Purchaser may sue or proceed against any Obligor in its own name."

(c) Section 3.2(B). Solely with respect to the Tranche B Receivables, Section 3.2(B) is hereby amended in its entirety to read as follows:

"B. Status Reports. Seller shall submit to Purchaser a Status Report on the dates specified in the immediately following sentence, substantially in the form of Exhibit V ("Status Report") consisting of information concerning Collections, Credit Adjustments, and Defaulted Receivables. Seller shall submit a Status Report to Seller (i) no later than the fiftieth (50th) day after a Funding Date, with respect to the 45-day period which commenced on such Funding Date, and (ii) no later than two (2) days after a First Collection Settlement Date, with respect to the 45-day period immediately preceding such First Collection Settlement Date. The Status Report shall include such other reports as Purchaser shall reasonably request. If any date for the delivery of a Status Report is not a Business Day, then such report shall be due on the next succeeding Business Day."

(d) Section 3.3(B)(i). Solely with respect to the Tranche B Receivables, Section 3.3(B)(i) is hereby amended in its entirety to read as follows:

"(i) Delinquent Receivables. If the Outstanding Balance of a Sold Receivable has not been paid in full on or before the 90th day after the Funding Date on which the Purchaser purchased such Sold Receivable, then, the Seller shall pay to the Purchaser an amount equal to the Payment Percentage of the unpaid Outstanding Balance of such Sold Receivable for each day after such 90th day that the Outstanding Balance is greater than zero until the earlier of (A) the date on which the Seller notifies Purchaser that it has determined in good faith that such Sold Receivable is uncollectible, (B) the date that is the 115th day after the Funding Date on which the Purchaser purchased such Sold Receivable, and (C) the date on which the Outstanding Balance is reduced to zero. Any amount required to be paid under this paragraph shall be paid to the Purchaser on the immediately following Collection Settlement Date. As used herein, the "Payment Percentage" is equal to the sum of: (a) the LIBOR Rate-Three Month relating to the Purchase of such Sold Receivables plus ninety-eight one-hundredths of one percent (0.98%) per annum, divided by 365, plus (b) Thirty One-Hundredths of One Percent (0.30%), divided by 90."

(e) Amendments Generally. The remainder of the Purchase Agreement, to the extent not amended specifically hereby, shall be deemed amended with respect to the Tranche B Receivables so that such terms and conditions apply with the same force and effect to such Tranche B Receivables and the documents, certificates and agreements delivered in connection therewith and herewith.

3. Additional Amendments. The Purchase Agreement is hereby further amended as follows:

(a) Section 6.1.C is hereby amended by inserting immediately preceding the ";" therein, the following: "provided that Seller may satisfy this obligation by filing such reports with the SEC".

(b) Section 12.1(f) and all references to Section 12(f) are

hereby deleted in their entirety.

(c) Section 12.2 is hereby amended by deleting the phrase ", if any" in the second line of such section.

(d) The title of Section 13.1 is hereby deleted in its entirety and replaced with "Costs and Expenses".

(e) The definition of "Ineligible Receivables" is amended by adding the following at the end of such definition:

"provided, however, that Seller and Purchaser may agree in writing that any Receivable that would otherwise be an Ineligible Receivable shall be treated for all purposes as an Eligible Receivable."

(f) Schedule B is hereby deleted in its entirety and replaced with the new Schedule B attached hereto.

(g) The defined term "LIBOR Rate-One Month" is hereby deleted in its entirety and replaced with the following:

LIMEAN Rate-One-Month. Shall mean, for purposes solely of calculation of the Collection Agent Fee, the London Interbank Mean Rate (LIMEAN) for one-month deposits in U.S. Dollars that appears on the London Interbank Rate page (referenced as LIUS01M; "MID"), of the Bloomberg News Service (or any other page that may replace any such page on such service in the reasonable judgment of Purchaser) for the Business Day of any such Collection Agent Fee payment.

(h) Section 4.1 is hereby amended in its entirety to read as follows:

"Section 4.1. Collection Agent Fee. A fee shall be payable by Purchaser to Seller in its capacity as Collection Agent (the "Collection Agent Fee"), in an amount equal to the LIMEAN Rate -One Month per annum, on the average daily balance of the Collections received by Purchaser during the 30-day period preceding each Collection Agent Fee payment date specified in the immediately following sentence. The Collection Agent Fee shall be payable, in arrears, every thirty (30) days after a Funding Date and on the First Collection Settlement; provided, however, that if any such payment date is not a Business Day, then such payment shall be made on the next succeeding Business Day. In no event, however, shall any Collection Agent Fee be payable to Seller for Collections relating to the applicable Sold Receivables received after the related First Collection Settlement Date. The Collection Agent Fee is to be paid by the Purchaser to the Seller as Collection Agent in consideration of Seller's agreement to serve as a Collection Agent and as compensation for such Collection Agent's services. Any amounts due to Purchaser from Seller hereunder, may be deducted from any Collection Agent Fee and credited to Purchaser, upon notice to Seller. Following the termination of Seller as a Collection Agent, Seller shall not continue to earn any Collection Fees."

(i) Sections 3.3.A. and B. are hereby amended by replacing each reference therein to "2:00 p.m., Pacific time" with "11:30 a.m., Pacific time".

4. Conditions Precedent. Notwithstanding the foregoing, the transactions contemplated by this Amendment shall not be effective until the satisfaction of the following terms and conditions:

(a) Seller shall have satisfied all of the conditions precedent to such Purchase as are described more fully in Section 9.2 of the Purchase Agreement, which include but are not limited to preparation and delivery to Purchaser of: (i) the new Schedule B referred to herein, (ii) a new Receivables Purchase Settlement Statement for the Receivables described herein, (iii) new UCC Searches, (iv) new UCC-1s, and (v) the new Exhibit III (Tranche B) regarding the payment terms applicable to the Tranche B Receivables.

(b) Seller shall have delivered such other documents, certificates, submissions, instruments, and agreements as reasonably requested by Purchaser relating to the transactions herein contemplated.

5. Miscellaneous. The terms of the Purchase Agreement and the other documents executed and delivered in connection therewith are hereby ratified and reaffirmed and shall remain in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

APPLIED MATERIALS, INC.

By:/s/ Nancy H. Handel
Print Name: Nancy H. Handel
Title: Vice President Global
Finance and Treasurer

By:/s/ Joseph R. Bronson
Print Name: Joseph R. Bronson
Title: Senior Vice President,
Chief Financial Officer
and Chief Administrative
Officer

DEUTSCHE FINANCIAL SERVICES CORPORATION

By:/s/ R. L. Shirley
Print Name: R. L. Shirley
Title: Executive V.P., Director
of Portfolio

RECEIVABLES PURCHASE AGREEMENT

THIS RECEIVABLES PURCHASE AGREEMENT ("Agreement") is dated as of the 26th day of January, 1999, by and between APPLIED MATERIALS, INC., a Delaware corporation ("Seller") and DEUTSCHE FINANCIAL SERVICES (UK) LIMITED, a corporation registered in England and Wales ("Purchaser").

R E C I T A L S

A. Among other things, Seller sells certain manufacturing products and provides services related thereto in the ordinary course of its business throughout Europe (the "Products" and the "Services", respectively, or collectively, the "Goods").

B. Seller may sell and Purchaser may purchase from time to time, on the terms and conditions set forth herein, all of Seller's right, title and interest in and to payment for the Products sold and Services rendered by Seller to the Obligors (as defined herein) (such accounts collectively referred to herein as the "Receivables" or, individually, a "Receivable").

C. Purchaser wishes that Seller act as Purchaser's initial Collection Agent with respect to Receivables sold by Seller in connection with the collection of the amounts owing on the Receivables, and wishes to pay the Seller a Collection Agent Fee, as herein defined, in return for the Seller's services as Collection Agent.

D. Seller and Purchaser desire to enter into this Agreement to govern the purchase and sale of the Receivables, the administration and collection thereof, and related matters.

NOW, THEREFORE, in consideration of the agreements contained herein and for other good and valuable consideration, the parties hereto mutually agree as follows:

ARTICLE 1 Definitions

Section 1.1. Definitions.

Except as otherwise specified in this Agreement, all references (i) to any Person, other than Seller, shall be deemed to include such Person's successors and assigns, and (ii) to any law, agreement, statute or contract specifically defined or referred to in this Agreement shall be deemed references to such agreement, or contract as the same may be supplemented, amended, waived, consolidated, replaced or modified from time to time, but only to the extent permitted by, and effected in accordance with, the terms hereof. The words "herein," "hereof" and "hereunder" and words of similar import, when used in this Agreement shall refer to this Agreement as a whole and not to any provision of this Agreement, and "Article," "Section," "paragraph," "Schedule" and respective references are to this Agreement unless otherwise specified. Whenever the context so requires, words importing any gender include the other genders. Any of the terms defined in this Article 1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference; the singular includes the plural and the plural includes the singular.

All terms defined in this Article 1 shall have the defined meanings when used in this Agreement or, except as otherwise expressly stated therein, any certificate, opinion or other document delivered pursuant to this Agreement.

All accounting terms not otherwise defined in this Article 1 or elsewhere in this Agreement shall have the meanings assigned them in conformity with GAAP.

All terms used in Article 9 of the UCC and not specifically defined in Article 1 or elsewhere in this Agreement shall be defined herein as such terms are defined in the UCC as in effect in the State of California on the date hereof.

References to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form. References to "written" include "printed," "typed," "lithographed" and other adjectives relating to words reproduced in a tangible visible form consistent with the preceding sentence including electronic mail. The words

"including," "includes" and "include" shall be deemed to be followed by the words "without limitation."

A/R Limit. As defined in Section 2.1.B.

Balance. As defined in Section 2.1.B.

Billing Date. The date on which an invoice is issued with respect to the sale of Goods resulting in the creation of a Receivable.

Business Day. Any day on which dealings in currencies and exchange may be carried on in the interbank eurodollar market, excluding Saturday, Sunday and any day which is a day on which banking institutions in London are authorized or required by law or other governmental action to close.

Collateral. As defined in Section 5.1.

Collection Agent. A Person that is selected and appointed by Purchaser, in accordance with Section 3.1, to act on Purchaser's behalf in the administration, servicing and collection of the Sold Receivables. Such Person may be Seller. The term "Collection Agent" includes a Successor Collection Agent.

Collection Agent Fee. A fee calculated and payable by Purchaser to Seller in accordance with the terms of Article 4 hereof.

Collection Settlement Date. With respect to each Funding Date in connection with the sale of Sold Receivables to Purchaser, the related First Collection Settlement Date (the 75th day after such Funding Date or if such date is not a Business Day, the Business Day thereafter), and to the extent the Outstanding Balances of such Sold Receivables have not been reduced to zero, each succeeding Business Day.

Collections. All amounts received by the Collection Agent or Purchaser from any Obligor as a payment with respect to a Sold Receivable.

Contract. An agreement pursuant to which an Obligor agrees to pay money to Seller for Products sold or Services rendered by Seller in the ordinary course of its business.

Credit Adjustment. Any refund, rebate, credit, early pay discount or other adjustment granted to an Obligor with respect to a Sold Receivable after such Receivable is sold to Purchaser.

Defaulted Receivable. (i) A Sold Receivable that the Collection Agent determines in good faith to be uncollectible, or (ii) a Sold Receivable which remains unpaid, for any reason, including without limitation, set off by the Obligor (whether in connection with the same or a related transaction or unrelated transaction) or a bankruptcy or insolvency proceeding of the Obligor where the Obligor is the debtor, more than 60 days from the Billing Date.

Discount. [*].

Dollars. Lawful money of the United States of America.

[*] Confidential portions omitted and filed separately with the Securities and Exchange Commission.

Eligible Receivable. Any Receivable which does not otherwise constitute an Ineligible Receivable.

Event of Default. As defined in Section 12.1.

Facility Termination Date. The earlier of the Termination Date or when Purchaser terminates this Agreement under Section 12.2.

Federal Bankruptcy Code. The bankruptcy code of the United States of America codified in Title 11 of the United States Code, as amended.

Financing Statement. The financing statements that are properly filed with the various Secretaries of State or other jurisdictions to perfect security interests in any property described by such financing statements.

First Collection Settlement Date. With respect to each Funding Date that date which is seventy-five (75) days after such Funding Date, provided that if such date is not a Business Day, then the First Collection Settlement Date shall be the next succeeding Business Day.

Funding Date. The Initial Funding Date, and such other and further dates as the parties hereto may agree to in writing as of the date on which Purchaser acquires additional Receivables hereunder.

GAAP. Generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

Goods. As defined in the Recitals to this Agreement.

Indemnities. As defined in Section 10.1.

Ineligible Receivables. Shall mean any of the following, as determined by Purchaser in its reasonable discretion, at the time of each Purchase hereunder:

(a) Receivables created from the sale of Goods and Services not in accordance with Seller's Payment Terms as described in Exhibit III attached hereto;

(b) [*];

(c) [*];

(d) [*];

(e) Receivables with respect to which the Obligor is an officer, employee, agent, parent, Subsidiary or affiliate of Seller or has common officers or directors with Seller;

(f) Receivables arising out of any consignment sale;

[*] Confidential portions omitted and filed separately with the Securities and Exchange Commission.

(g) Receivables with respect to which the payment by the Obligor is conditional, other than as may be required by applicable statute;

(h) Receivables with respect to which the Obligor is not a commercial or institutional entity;

(i) Receivables with respect to which Seller is or may become liable to the Obligor thereof for goods sold or services rendered by such Obligor to Seller, other than as may be required by applicable statute;

(j) Receivables with respect to which any warranty or representation provided in Sections 7.3, 8.4 or 8.8 is not true and correct;

(k) Receivables which represent goods purchased for a personal, family or household purpose;

(l) Receivables which are progress payment, retention or contra accounts;

(m) Receivables with respect to which the Obligor is in default of any material provision of any agreement between Seller and Obligor governing such Receivable, including, without limitation, Receivables paid with checks returned and marked "Insufficient Funds" and Receivables which are otherwise in dispute and, in each case, not resolved within thirty (30) days;

(n) Receivables arising pursuant to documentation not satisfactory to Purchaser in its sole discretion;

(o) Receivables on which the Obligor is not located in Europe and Israel if such Receivable is not fully secured by foreign credit insurance or letter of

credit, in each case acceptable to Purchaser in its sole discretion;

(p) Receivables which were not incurred in the ordinary course of Seller's business;

(q) Receivables which, prior to sale, were not owned by Seller; or

(r) any and all other Receivables which Purchaser deems to be unacceptable; provided, however, that Receivables of the Obligors listed on Schedule B hereto which also satisfy paragraphs (c) through (q) above, shall be deemed acceptable to Purchaser, subject to any limitations in such Schedule B;

provided, however, that Seller and Purchaser may agree in writing that any Receivable that would otherwise be an Ineligible Receivable shall be treated for all purposes as an Eligible Receivable.

Initial Funding Date. The date that Purchaser makes its initial Purchase of Receivables, in accordance with Section 2.1, which, unless otherwise agreed to by the parties in writing, shall be January 28, 1999.

LIMEAN Rate-One Month. Shall mean, for purposes solely of calculation of the Collection Agent Fee, the London Interbank Mean Rate (LIMEAN) for one-month deposits in U.S. Dollars that appears on the London Interbank Rates Page (referenced as LIUS01M) of the Bloomberg News Service (or any other page that may replace any such page on such service in the reasonable judgment of Purchaser) for the Business Day of any such Collection Agent Fee payment.

LIBOR Rate-Two Month. Shall mean for any Purchase, the London Interbank Offered Rate (LIBOR) for two-month deposits in U.S. Dollars that appears on Page 3745 of the Bloomberg News Service (or any other page that may replace any such page on such service in the reasonable judgment of Purchaser) on the third Business Day immediately preceding a Funding Date.

Lien. A mortgage, pledge, lien, security interest or other charge or encumbrance of any kind (including without limitation any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

Net Purchase Price. [*].

Notices. All notices, requests, demands and other communications provided for under this Agreement.

Obligor. Each customer to whom Seller has sold Products or provided Services and who has agreed to pay money to Seller therefor whether or not pursuant to a Contract.

Officer's Certificate. A certificate executed on behalf of Seller by its chief financial officer, treasurer or other authorized officer.

Outstanding Balance. With respect to any Sold Receivable as of any date, the total outstanding principal balance thereof as of such date.

Outstanding Eligible Receivables. As at any moment, all Eligible Receivables which are then outstanding (i.e., not yet paid by their respective Obligors).

Party. Seller or Purchaser, as defined.

Person. Natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, incorporated or unincorporated associations, companies, limited liability companies, trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof, or any other entity of any kind.

Prime Rate. The prime rate as published in The Wall Street Journal. The Prime Rate will change and take effect for purposes of this Agreement on the day of any change in the prime rate published in The Wall Street Journal.

Products. As defined in the Recitals to this Agreement.

Purchase. A purchase of Receivables made by Purchaser pursuant to Section 2.1.

Receivables. As defined in the Recitals to this Agreement.

Receivables Purchase Settlement Statement. A statement substantially in the form of Exhibit II to be executed by Seller and Purchaser, prepared in accordance with Section 2.1.C and other provisions of this Agreement.

Releases. The termination statements or other documents that are filed with the various Secretaries of State or other jurisdictions for the purpose of releasing any security interests that have been filed or perfected through the filing of one or more Financing Statements.

Request for Information or Copies. The documents that are submitted to the various Secretaries of State or other jurisdictions for the purpose of ascertaining whether or not any financing statements, tax liens, judgment liens or other filings have been filed with respect to some item of property.

Secretary of State. Any Secretary of State, or any person acting in an official capacity for such person or for other jurisdictions, elected or appointed, to receive filings of Financing Statements, articles of

[*] Confidential portions omitted and filed separately with the Securities and Exchange Commission.

incorporation or other documents pertaining to the business structure or operation of any of the entities referred to in this Agreement.

Services. As defined in the Recitals to this Agreement.

Settlement Date. The first Business Day immediately preceding each Funding Date, and such other dates as may be agreed to in writing by Seller and Purchaser.

Sold Receivable. A Receivable purchased by Purchaser until paid in full by the Obligor.

Status Report. As defined in Section 3.2.B.

Subsidiary. With respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of common stock or units of ownership or beneficial interest entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person.

Successor Collection Agent. As defined in Section 3.1.C.

Termination Date. As defined in Section 11.1.

UCC. The California Uniform Commercial Code.

ARTICLE 2

Amount and Terms of Purchase Commitments

Section 2.1. Purchase of Receivables.

A. Sale; Effective Date of Sale.

(i) Generally. On each Funding Date, Purchaser shall Purchase the Eligible Receivables from Seller, in accordance with the terms hereof, that Purchaser has elected, in its sole discretion, to Purchase. Purchaser's decision to make a Purchase hereunder will not be binding until the funds are actually paid. A condition of each Purchase on any Funding Date shall be delivery by Seller of the Receivables Purchase Settlement Statement required pursuant to Section 2.1.C on the Settlement Date. No Purchase shall occur after the Facility Termination Date or if Purchaser exercises its rights under Section 12.2.

(ii) Limitations. Notwithstanding anything herein, Seller shall have no obligation to sell, and Purchaser shall have no obligation to Purchase, any Receivables: (1) on any dates other than the Funding Dates, and (2) which fail to

comply with the terms hereof.

B. Purchase; Transfer of Receivables. Each Purchase hereunder shall take place on the applicable Funding Date, at the office of Seller at 3050 Bowers Avenue, Santa Clara, CA 95054, or such other place as may be mutually agreed upon by Seller and Purchaser. Purchaser shall purchase the applicable Receivables on any Funding Date for an aggregate purchase price equal to the Net Purchase Price of the Eligible Receivables reflected on the Receivables Purchase Settlement Statement prepared in connection with such Purchase. Seller agrees further that, at all times during the term of this Agreement, the aggregate cumulative amount of all Net Purchase Prices received by Seller in respect of the then Outstanding Eligible Receivables, minus all Collections received thereon (the "Balance"), shall not exceed One Hundred Million Dollars (\$100,000,000) (the "A/R Limit"). Title to all Receivables which are acquired by Purchaser shall pass to Purchaser on the applicable Funding Date. Each Purchase shall be made without recourse, except as specifically provided herein.

C. Receivables Purchase Settlement Statements. On each Settlement Date, Seller shall execute a Receivables Purchase Settlement Statement, dated as of such date, which, among other things: (i) assigns and transfers to Purchaser, effective as of the Funding Date, all right, title and interest of Seller in and to the Sold Receivables described in the schedule attached to such Receivables Purchase Settlement Statement, free and clear of all security interests, liens, charges, encumbrances and rights of others, other than the respective Obligor's interest in the Products and/or Services, as appropriate, relating thereto, (ii) includes copies of all invoices and a summary of all sales resulting in Sold Receivables, and a calculation of the Eligible Receivables to be sold, a schedule of the Sold Receivables, and the Net Purchase Price, and (iii) provides such other information as Purchaser may reasonably request at least five (5) days in advance of such Settlement Date for the purpose of effecting the transactions contemplated hereby.

D. Collateral Assignment. Certain of the Obligors have granted Seller a Lien on certain of such Obligor's assets as security for the obligations of such Obligor to Seller. On or prior to each Settlement Date, Seller shall deliver to Purchaser, assignments of all security agreements, instruments or other documents pursuant to which such Obligors have granted Seller such a Lien in its assets.

E. Power of Attorney. Seller hereby grants to Purchaser an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of Seller or in Purchaser's own name all steps necessary or advisable to (i) whether or not an Event of Default has occurred and is continuing, endorse and negotiate any writing or other right of any kind held or owned by Seller or transmitted to or received by Purchaser as payment on account or otherwise in respect of any Sold Receivables, and (ii) effective upon the occurrence and during the continuance of any Event of Default, enforce, foreclose, demand or accelerate on any writing or other right of any kind held or owned by Seller or transmitted to or received by Purchaser as payment on account or otherwise in respect of any Sold Receivable.

ARTICLE 3

Collections; Maintenance of Records; Disbursements of Collections

Section 3.1. Collection Procedure.

A. Appointment of Seller as Collection Agent. Purchaser hereby appoints Seller to act as Collection Agent with respect to Sold Receivables and Seller hereby accepts such appointment until a Successor Collection Agent is appointed in accordance with the terms hereof.

B. Duties and Standard of Care as Collection Agent.

(1) The Collection Agent will endeavor to collect the amount owing to Purchaser on each Sold Receivable in accordance with terms hereof, as and when the same becomes due, at Seller's cost and expense and as agent for Purchaser, but subject to the right of Purchaser to direct and control such activities in accordance with the terms hereof.

(2) In performing its functions and duties on behalf of Purchaser as the Collection Agent, Seller shall exercise the same care that it would exercise in the collection of Receivables for its own account, in accordance with, among other things, Seller's current Collection Procedures attached hereto as Exhibit IV, which standard of care shall not be less than the standard of care prevalent in the industry in which Seller engages. Collection Agent may amend, from time to time, its Collection Procedures with the consent of Purchaser, such consent not to be unreasonably withheld.

(3) The Collection Agent may allow such Credit Adjustments for Purchaser's account as the Collection Agent may determine in good faith to be either (i) appropriate to facilitate maximum Collections or (ii) required by applicable law or any applicable Contract and may receive any Products relating thereto, subject to Purchaser's aforesaid interests, as may be returned or rejected by, or repossessed from, the Obligors; provided, however, that any Credit Adjustment shall be reflected in a Status Report or other writing delivered by Collection Agent to Purchaser prepared for the period in which the Credit Adjustment was made,

and the amount of any such Credit Adjustment shall be paid to Purchaser in full, in good funds, on each Collection Settlement Date. With respect to each Defaulted Receivable, the Collection Agent shall have the power and authority, on behalf of Purchaser, to take action in accordance with Seller's standard collection policies (including, in the case of any such Receivable in respect of which a security interest in Products shall have been obtained, the repossession and resale of such Products). Purchaser may request, to the extent reasonable, from time to time information relating to any Defaulted Receivable. A Collection Agent other than Seller may also make Credit Adjustments for Purchaser's account with the consent of Purchaser. Any such Credit Adjustment made pursuant to clause (ii) above by a Collection Agent other than Seller, shall be treated the same as a Credit Adjustment made by Seller as Collection Agent, including for purposes of requiring payment or credit by Seller.

(4) In the enforcement or collection of any Sold Receivable, the Collection Agent must obtain Purchaser's prior written consent to name Purchaser as a party in any legal proceeding; provided, however, that nothing contained herein shall limit Purchaser's right, exercisable in its sole discretion, following demand made by Purchaser on Seller and Seller's refusal or inability to proceed against an Obligor, to sue or proceed against any Obligor in its own name at any time upon two (2) days prior written notice to Seller after the 75th day after the applicable Funding Date. Moreover, notwithstanding the foregoing, (i) following the occurrence and during the continuance of any Event of Default after notice to Seller, (ii) if Seller has determined in good faith that a Sold Receivable is uncollectible, or (iii) if (1) an Obligor becomes insolvent or becomes subject to the Federal Bankruptcy Code, any insolvency law or any similar law, as a debtor, (2) an Obligor makes a general assignment for the benefit of creditors, or (3) a receiver is appointed for any assets of an Obligor; no demand by Purchaser on Seller shall be required before Purchaser may sue or proceed against any Obligor in its own name.

(5) Purchaser may at any time with contemporaneous notice to Seller, contact any Obligor utilizing the form of verification letter attached hereto as Schedule C, for any purpose related to the performance of audits and verification analyses, and the determination of account balances and other data maintained by Seller. Except for sending the verification letter to the Obligors and except as otherwise provided herein, Purchaser shall not contact any Obligor with respect to the transactions contemplated herein. Purchaser may at any time following (i) the occurrence and during the continuance of an Event of Default; or (ii) the termination of Seller as Collection Agent: (a) notify any Obligor of the purchase by Purchaser of any Sold Receivable hereunder; (b) direct any Obligor to make all payments in respect of Sold Receivables directly to Purchaser at an address designated by Purchaser, or to a third party or a bank or depository designated by

Purchaser; and/or (c) proceed directly against any Obligor, either with respect to the collection of any Sold Receivable or any related matter.

(6) All Collections received by the Collections Agent on and prior to the related First Collection Settlement Date shall be paid on each Wednesday (for Collections received by the Collection Agent during the immediately preceding calendar week), directly to the Purchaser as provided in Section 3.3. All Collections received by the Collections Agent after the related First Collection Settlement Date, shall be paid within two Business Days directly to the Purchaser as provided in Section 3.3. On any Collection Settlement Date, Seller shall remit to Purchaser, for Purchaser's own account, all amounts representing Credit Adjustments which relate to the Sold Receivables which are applicable to each such Collection Settlement Date. All payments and all amounts received in settlement, adjustment or liquidation of any Sold Receivable will be credited by Purchaser on the Business Day good funds are received by Purchaser. All payments in respect of Sold Receivables of a particular Obligor shall be applied against specific items of Sold Receivables as specifically identified in writing by the Obligor thereon. If an Obligor fails to so specify, then the Collection Agent shall use its best efforts, including contacting such Obligor, to determine the appropriate application of the payment.

C. Termination of Appointment. Upon the occurrence and continuance of an Event of Default or upon termination of this Agreement, Purchaser may at any time immediately terminate Seller's appointment as the Collection Agent by delivery of a notice of such termination in writing to Seller, provided, however, that if there exists no Event of Default, Purchaser's termination of Seller as Collection Agent shall be effective fifteen (15) days after Purchaser's giving of notification thereof to Seller. Upon the termination of Seller as the

Collection Agent, without limitation, (i) Purchaser, or a financial institution designated by Purchaser (Purchaser in such capacity or such third party, a "Successor Collection Agent"), shall administer the administrative, servicing and collection functions with respect to Purchases from Seller in any commercially reasonable manner and in accordance with this Agreement; (ii) Purchaser shall, at any time thereafter, be entitled to notify the Obligors on any Sold Receivables to make payment of amounts due thereunder directly to Purchaser at an address designated by Purchaser or to such third party or to a bank or other depository designated by Purchaser; and (iii) Seller shall, at its own expense, (a) if so requested by Purchaser, endorse each instrument, if any, evidencing any Sold Receivable to Purchaser in such manner as Purchaser shall reasonably direct and (b) perform any and all acts and execute any and all documents as may be reasonably requested by Purchaser in order to effect the purposes of this Agreement and the Purchase of Receivables and to perfect and protect the ownership interest of Purchaser in the Sold Receivables.

Section 3.2. Records and Reports.

A. Maintenance of Records. Until the earlier of the termination of this Agreement or until each Sold Receivable has been paid in full, Purchaser shall have the right (but not the obligation), for the purposes hereunder described, to enter upon Seller's premises from time to time during normal business hours following three (3) Business Days notice to Seller (unless an Event of Default has occurred and is continuing, in which event no advance notice will be required hereunder, but such entry shall be during normal business hours) during the term of this Agreement. The purposes for which Purchaser may enter pursuant to the terms of this Section 3.2 are as follows: (i) to examine Seller's books, accounts, records or other papers pertaining to Sold Receivables and otherwise pertaining to the transactions which are the subject of this Agreement, and for no other purposes; (ii) to examine the Collateral; (iii) to appraise the Collateral as security; (iv) to verify the condition of the Collateral; (v) to verify that all Collateral has been properly accounted for; and (vi) to verify that Seller is in compliance with all terms and provisions of this Agreement; provided, in all cases, that Purchaser shall have no right to examine any documents covered by attorney-client privileges or attorney work-product. Any fees, costs or expenses incurred by Purchaser in connection with such inspections, audits and examinations as aforesaid, shall be the sole responsibility of Purchaser (unless an Event of Default has occurred and is continuing, in which event Seller shall be solely responsible for such fees, costs and expenses). From

time to time upon the reasonable written request of Purchaser, Seller, at its own expense, will deliver to Purchaser, or any agent selected by Purchaser (which agent Seller shall have consented to, such consent not to be unreasonably withheld), as the case may be: (i) a schedule of the Sold Receivables (or Sold Receivables relating to such Obligors as Purchaser may specify) sold by Seller to Purchaser indicating as to each such Sold Receivable information as to the Obligor thereon, the Outstanding Balance thereof, the location of any Contract evidencing such Sold Receivable and such other information as Purchaser may reasonably deem appropriate; and (ii) copies of any such Contract and such records and invoices pertaining thereto and evidence thereof as Purchaser may reasonably deem necessary to enable Purchaser to enforce its rights thereunder. At Purchaser's request, Seller shall: (a) identify and hold as agent for Purchaser at the offices of Seller listed in Schedule A hereto (including without limitation for the purpose of protecting Purchaser's ownership interest therein) all books, records and documents evidencing or relating to the Sold Receivables, including any underlying Contracts, and maintain a current record of all Sold Receivables owned by Purchaser at any time in such reasonable detail and in form and substance satisfactory to Purchaser; (b) mark the legend "Receivables assigned to Deutsche Financial Services (UK) Limited, under a Receivables Purchase Agreement, dated as of January 26, 1999" on Seller's aging schedule applicable to the Sold Receivables, and upon the occurrence of an Event of Default, on such instruments as Purchaser may from time to time reasonably designate; and/or (c) maintain and implement administrative and operating procedures (including without limitation an ability to recreate records evidencing the Sold Receivables in the event of the destruction of the original records), and keep and maintain all documents, books, records and other information reasonably necessary for the collection of the Sold Receivables for Purchaser.

B. Status Reports. Seller shall submit to Purchaser a Status Report on the dates specified in the immediately following sentence, substantially in the form of Exhibit V ("Status Report") consisting of information concerning Collections, Credit Adjustments, and Defaulted Receivables. Seller shall submit a Status Report to Purchaser (i) no later than the thirty-fifth (35th) day after a Funding Date, with respect to the

30-day period which commenced on such Funding Date; (ii) no later than the sixty-fifth (65th) day after a Funding Date, with respect to the 30-day period immediately following the 30-day period referenced in (i); and (iii) no later than two (2) days after a First Collection Settlement Date, with respect to the 15-day period immediately preceding such First Collection Settlement Date. The Status Report shall include such other reports as Purchaser shall reasonably request. If any date for the delivery of a Status Report is not a Business Day, then such report shall be due on the next succeeding Business Day.

Section 3.3. Manner and Time of Payments.

A. Payments to Seller. (i) On the Funding Date. With respect to any Funding Date, so long as Purchaser receives the Receivables Purchase Settlement Statement by 10:00 a.m., Pacific time, on the related Settlement Date, Purchaser shall pay the amounts that are payable to Seller hereunder on such Funding Date, as applicable, in immediately available funds deposited to the account of Seller listed in Section 13.2 hereof, no later than 11:30 a.m., Pacific time, and subject to the provisions of any other information reasonably requested by Purchaser from Seller in connection therewith in effect on or prior to such date. (ii) Collection Agent Fee. Purchaser's payment of the Collection Agent Fee to Seller shall be made in immediately available funds deposited to the account of Seller listed in Section 13.2 hereof, no later than 2:00 p.m., Pacific time, on the dates and as otherwise provided under the terms of Article 4 hereof. (iii) Generally. The foregoing notwithstanding, any amounts due Purchaser from Seller hereunder or in connection herewith, may be deducted by Purchaser from any amounts owed to Seller, with notice to Seller.

B. Payments to Purchaser. Seller shall pay the amounts that are payable to Purchaser hereunder, in immediately available funds, deposited to the account of Purchaser listed in Section 13.2 hereof, no later than 11:30 a.m., London time, on any Collection Settlement Date, or as otherwise provided, subject to the provisions of any Status Report, or other information reasonably requested by Purchaser from Seller in

connection therewith in effect on or prior to such date. In no way limiting the foregoing, Seller agrees to pay Purchaser the following:

(i) Delinquent Receivables. If the Outstanding Balance of a Sold Receivable has not been paid in full on or before the [*] day after the Funding Date on which the Purchaser purchased such Sold Receivable, then, the Seller shall pay to the Purchaser an amount equal to the Payment Percentage of the unpaid Outstanding Balance of such Sold Receivable for each day after such [*] day that the Outstanding Balance is greater than zero until the earlier of (A) the date on which the Seller notifies Purchaser that it has determined in good faith that such Sold Receivable is uncollectible, (B) the date that is the [*] day after the Funding Date on which the Purchaser purchased such Sold Receivable, and (C) the date on which the Outstanding Balance is reduced to zero. Any amount required to be paid under this paragraph shall be paid to the Purchaser on the immediately following Collection Settlement Date. As used herein, the "Payment Percentage" [*].

Section 3.4. Eurodollar Deposits Unavailable or Rate Unascertainable. In the event that on or prior to the date the LIBOR Rate-Two Month is determined, Purchaser shall have determined (which determination shall be conclusive and binding on the parties hereto) that by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the LIBOR Rate-Two Month applicable to a Purchase, Purchaser shall promptly give notice of such determination to Seller, and any such Purchase shall be made using a Discount based upon the Prime Rate less the difference in the per annum interest rate between the Prime Rate (at the date the LIBOR Rate-Two Month ceased to exist) and the average of the LIBOR Rate-Two Month over the 30-day period immediately preceding the date the LIBOR Rate-Two Month ceased to exist.

ARTICLE 4

Collection Agent Fee

[*] Confidential portions omitted and filed separately with the Securities and Exchange Commission.

Section 4.1. Collection Agent Fee. A fee shall be payable by Purchaser to Seller in its capacity as Collection Agent (the "Collection Agent Fee"), in an amount equal to [*] on the average daily balance of the Collections received by Purchaser during the 30-day period or the 15-day period, as applicable, preceding each Collection Agent Fee payment date specified in the immediately following sentence. The Collection Agent Fee shall be payable, in arrears, on that date which is thirty (30) days after a Funding Date (for the 30-day period preceding such payment date), the date which is 60 days after a Funding Date (for the 30-day period preceding such payment date), and the First Collection Settlement Date (for the 15-day period preceding such payment date); provided that if any of such dates is not a Business Day, then on the next succeeding Business Day). In no event, however, shall any Collection Agent Fee be payable to Seller for Collections relating to the applicable Sold Receivables received after the related First Collection Settlement Date. The Collection Agent Fee is to be paid by the Purchaser to the Seller as Collection Agent in consideration of Seller's agreement to serve as a Collection Agent and as compensation for such Collection Agent's services. Any amounts due to Purchaser from Seller hereunder, may be deducted from any Collection Agent Fee and credited to Purchaser, upon notice to Seller. Following the termination of Seller as a Collection Agent, Seller shall not continue to earn any Collection Fees.

ARTICLE 5

Security Interest

Section 5.1. Sale; Grant of Security Interest. The parties hereto intend that the Purchase by Purchaser of Sold Receivables pursuant to this Agreement shall constitute a sale under all applicable laws. Notwithstanding such intent, if for any reason the Sold Receivables are not under applicable law deemed to have been Purchased by Purchaser, Purchaser shall be deemed to have made a loan to Seller in the amount of the purchase price paid to Seller, secured by the following grant of security in Seller's assets. In the event of any such designation as a loan, all provisions of this Agreement referring to the sale of the Sold Receivables shall be

construed as the context may require as references to the grant of a security interest in such Receivables. In such regard and in any event to secure all of Seller's current and future debts to Purchaser under this Agreement or any side letters entered into between Purchaser and Seller in connection with this Agreement, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, indemnification obligations pursuant to Section 10.1 and payments on account of Collections received, Seller hereby assigns and grants to Purchaser a security interest in all of Seller's right, title and interest now or hereafter existing in, to and under (i) all Sold Receivables, now owned or hereafter acquired, (ii) all contract rights, chattel paper, security agreements, instruments, documents of title, deposit accounts, reserves and general intangibles, now owned or hereafter acquired, all returned, reclaimed or repossessed inventory and Products, in each case securing or otherwise supporting such Sold Receivables, and (iii) all proceeds of any of the foregoing (the "Collateral"). To the extent so defined, the above assets shall have the same meanings as in Article 9 of the UCC. Seller will hold all of the Collateral in trust for Purchaser and will account for and remit directly to Purchaser all such proceeds when payment is required under terms of this Agreement. Purchaser's lien or security interest will not be impaired by any payments Seller may make to any other person or entity. This Agreement shall constitute a security agreement under applicable law with regard to the security interest granted pursuant to this Section 5.1.

ARTICLE 6

Seller's Affirmative Covenants

Seller covenants and agrees that, unless Purchaser shall otherwise give its express prior written consent, until the earlier of the termination of this Agreement or each Sold Receivable has been paid in full, Seller shall comply with and perform in accordance with all covenants contained in this Article 6.

Section 6.1. Financial Statements and Other Reports. Seller will maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements of Seller in conformity with GAAP. Seller will deliver to Purchaser:

A. as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of Seller, consolidated balance sheets of Seller as of the end of such quarter and

[*] Confidential portions omitted and filed separately with the Securities and Exchange Commission.

consolidated statements of income and of cash flows of Seller for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the Treasurer of Seller; provided that Seller may satisfy this obligation by filing its Form 10-Q for such fiscal quarter with the Securities and Exchange Commission;

B. as soon as available and in any event within 105 days after the end of each fiscal year of Seller a copy of the annual report of such year for Seller containing consolidated financial statements for such year certified by Seller's independent public accountants; provided that Seller may satisfy this obligation by filing its Form 10-K for such fiscal year with the Securities and Exchange Commission;

C. promptly after the sending or filing thereof, copies of all reports which Seller sends to its security holders generally, and copies of all registration statements which Seller files with the Securities and Exchange Commission or any national securities exchange (other than those on Form S-8); provided that Seller may satisfy this obligation by filing its reports with the SEC;

D. promptly upon any vice president or president of Seller obtaining knowledge or becoming aware of an occurrence of a breach of Seller's obligations under this Agreement which would give rise to an Event of Default, an Officer's Certificate specifying the nature and period of existence of any such breach, condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed breach, event or condition, and what action, if any, Seller has taken, is taking and proposes to take with respect thereto;

E. thirty (30) days' notice prior to Seller's changing its name or any name under which it does business or relocating its chief executive offices or relocating the books, records and documents evidencing the Receivables owned or to be purchased by Purchaser hereunder;

F. prior to the implementation of any material change in Seller's policies, procedures or practices with respect to extending credit to its customers, making Credit Adjustments or collecting amounts owed by customers, in each case that would affect Sold Receivables, a written description of such proposed change at least ten (10) days in advance of such change;

G. with reasonable promptness, such other information, reports or documents concerning the Receivables which are owned or to be purchased by Purchaser hereunder, the underlying Contracts, or the credit or collection policies, practices and procedures of Seller, as Purchaser may from time to time reasonably request; and

H. such other information respecting the financial condition or operations of Seller as Purchaser may from time to time reasonably request.

Section 6.2. Corporate Existence, etc. Subject to Section 7.5 hereof, Seller will at all times preserve and keep in full force and effect its corporate existence and all material licenses, rights and privileges relating to Sold Receivables, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary to avoid a material adverse effect on the validity, enforceability and collectibility of Sold Receivables.

Section 6.3. Compliance with Laws, etc. Seller will comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which would adversely affect the validity, enforceability or collectibility of Sold Receivables.

Section 6.4. Transfer of Receivables. Seller shall take all steps necessary or, in the reasonable opinion of Purchaser, advisable to validate or protect the ownership interest of Purchaser in, or to defeat the assertion by any third party of any adverse claims with respect to, the Sold Receivables or any underlying Contracts. If an Event of Default by Seller hereunder has occurred and is continuing, Seller hereby irrevocably authorizes Purchaser to execute and deliver, in Seller's name and on Seller's behalf, such

instruments and documents (including bills of sale and assignments) necessary or desirable to evidence or protect Purchaser's ownership interest in the Sold Receivables. Regardless of whether an Event of Default by Seller has occurred and is continuing, Seller hereby irrevocably authorizes Purchaser to execute and file, in Seller's name and on Seller's behalf, financing statements (including amendments and continuation statements) under the UCC (or similar law where the UCC is not enacted) in such jurisdictions where it may be necessary to validate or protect Purchaser's position as owner of, or, as provided in Section 5.1, secured party with respect to, such Sold Receivables. Seller shall execute and deliver such additional documents and shall take such further action as Purchaser may reasonably request to effect or evidence the transfer of the Sold Receivables and shall execute and deliver to Purchaser such powers-of-attorney as may be necessary or appropriate to enable Purchaser to endorse for payment any check, draft or other instrument delivered in payment of any amount under or in respect of a Sold Receivable. If, at any time, Seller receives any cash or checks, drafts or other instruments for the payment of money on account or otherwise in respect of Sold Receivables, Seller shall segregate such cash and other items, hold such cash and other items (properly endorsed, where required, so that such items may be collected by Purchaser) in trust for Purchaser, and promptly paid directly to Purchaser in accordance with Section 3.1.B(6).

Section 6.5. Assignment of Contracts; Instruments. Seller hereby assigns to Purchaser all rights of Seller under each Contract underlying a Sold Receivable relating to the collectibility of payments thereunder, security interests and other liens created in connection therewith and the enforcement thereof, but Purchaser does not and shall not thereby assume any obligations of Seller under any such Contract. Such assignment shall include without limitation security interests

in favor of Seller in any property (including without limitation any Goods) securing any Sold Receivable, whether pursuant to the contract underlying such Sold Receivables or otherwise, and all terms and conditions of this Agreement shall be deemed applicable to such assigned security interests generally in the same manner and to the same extent as applied to the related Sold Receivable. In the event any Sold Receivable becomes, either at the time of creation of such Sold Receivable or any time thereafter, evidenced by a promissory note or other document or instrument (other than a Contract), Seller will promptly endorse and physically deliver such promissory note, document or instrument to Purchaser.

ARTICLE 7

Seller's Negative Covenants

Until the earlier of the termination of this Agreement or each Sold Receivable has been paid in full, unless Purchaser shall otherwise give prior written consent, Seller will perform all covenants contained in this Article 7.

Section 7.1. Character of Business. Seller will make no material change in its Collection Procedures that would adversely affect the validity, enforceability or collectibility of the Sold Receivables or materially adversely affect the ability of Seller to perform its obligations hereunder without the consent of Purchaser.

Section 7.2. Modification of Contracts. Except as set forth in Section 3.1.B(3), without the prior written consent of Purchaser, Seller will not amend, modify or waive any term or condition of any Contract underlying any Sold Receivable, which amendment, modification or waiver would adversely affect the validity, enforceability or collectibility of such Receivable or adversely affect Purchaser's right to collect any Sold Receivables.

Section 7.3. Quality of Receivables. Seller will not sell to Purchaser any Receivable that is not an Eligible Receivable on the date of sale. Seller will not sell to Purchaser any Receivable, that, on the date of sale : (i) is an Ineligible Receivable; (ii) is evidenced by a promissory note or other document or instrument (other than a Contract); (iii) does not conform with applicable laws, rules or regulations or is based on a Contract that does not conform in all material respects with applicable laws, rules or regulations; (iv) is a Defaulted Receivable; (v) is a Receivable with respect to which Seller is engaged in any dispute or warranty claim or which is subject to any lien, claim, security interest, offset, counterclaims or defense; (vi) permits the Obligor to pay less than the Outstanding Balance for any reason other than a Credit Adjustment; (vii) does not satisfy the requirements of Sections 8.4 and 8.8 hereof in all material respects; or (viii) the Purchase of

which by Purchaser, or the sale of which by Seller, is subject to any order, judgment or decree of any court, arbitrator or similar tribunal or governmental authority, or is the subject of any proceedings before any such court, arbitrator or similar tribunal or government authority purporting to enjoin or restrain Purchaser from making any Purchase, Seller from selling such Receivable or the Collection Agent or Purchaser from making any Collection of such Receivables. Purchaser may from time to time, in its discretion, upon advance written notification to Seller, withdraw its approval of any or all of the Obligors, including but not limited to those listed on Schedule B hereto.

Section 7.4. Financial Statements. Seller will not

prepare, or permit the preparation of, any financial statements which shall account for the transactions contemplated hereby in a manner that is inconsistent with Purchaser's ownership interest in the Sold Receivables.

Section 7.5. Restriction on Fundamental Changes. Seller can merge with another Person if immediately thereafter, giving effect to such merger, no Event of Default exists and either (i) the Seller survives the merger or (ii) the successor agrees to be bound by this Agreement.

Section 7.6. Seller's Interest. Seller will not retain any interest in any Sold Receivable hereunder and each sale of a Sold Receivable hereunder shall be of all of Seller's right, title and interest in such Sold Receivable.

Section 7.7. Negative Pledge. Seller will not mortgage, pledge, grant or permit to exist a security interest or Lien caused by it, in or upon any of the Sold Receivables or the Collateral.

ARTICLE 8

Seller's Representations and Warranties

In order to induce Purchaser to enter into this Agreement and to make the Purchases, Seller represents and warrants to Purchaser that the following statements are true, correct and complete in all material respects (except to the extent such representations and warranties are already qualified as to materiality in which case they are true, correct and complete) as of the date hereof and as of the date of each sale of Receivables hereunder (all representations and warranties concerning Receivables shall be made solely as of the date of the sale of such Receivables hereunder):

Section 8.1. Organization, Powers and Good Standing.

A. Organization and Powers. Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Seller has all requisite corporate power and authority to own and operate its properties, to carry on its business as such business is now conducted and as it is proposed to be conducted hereunder, to enter into this Agreement and to carry out the transactions contemplated hereby, except where failure to have such licenses and permits would not have a material adverse effect on the financial condition or assets of Seller.

B. Good Standing. Seller is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has and will have no material adverse effect on the conduct of the business of Seller or any adverse effect on the validity, enforceability or collectibility of any Sold Receivable.

Section 8.2. Authorization of Sales, etc.

A. Authorization of Sales. The execution, delivery and performance of this Agreement and the sales of Receivables sold and to be sold to Purchaser hereunder and the grant of the security interest in the Collateral have been duly authorized by all necessary corporate action by Seller.

B. No Conflict. The execution, delivery and performance by Seller of this Agreement and the sales of Receivables do not and will not: (i) violate any provision of law applicable to Seller, the Certificate of Incorporation or Bylaws of Seller, or any order, judgment or decree of any court or other agency of government binding on Seller; (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under or permit an acceleration or increased amortization of any material obligation of Seller; (iii) result in or require the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Seller except as provided herein or pursuant to the terms hereof; or (iv) require any approval of stockholders or any approval or consent of any Person under any obligation of Seller or Contract to which Seller is a party other than approvals or consents that have been obtained and disclosed in writing to Purchaser.

C. Governmental Consents. The execution, delivery and performance by Seller of this Agreement and the Purchases of

Receivables do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body or other Person, other than a filing with certain Secretaries of State and other jurisdictions evidencing the Purchase of Receivables hereunder, and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

D. Binding Obligation. This Agreement creates and constitutes legal, valid and binding obligations of Seller, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency or similar laws and principles of equity.

Section 8.3. No Material Adverse Change. Since January 20, 1999, there has been no material adverse change in the business, operations, properties, or financial position of the Seller and its subsidiaries taken as a whole.

Section 8.4. Protection of Ownership Interest. All filings or other actions under the UCC have been made or taken in each jurisdiction that are necessary or appropriate to validate and perfect Purchaser's ownership interest in and rights to collect any and all Sold Receivables and the proceeds thereof; Purchaser has a valid and perfected ownership or security interest in the Sold Receivables and the proceeds thereof, free and clear of all security interests, liens, charges, encumbrances or rights of others except as otherwise expressly provided herein; and no effective financing statement or other instrument similar in effect covering all or any part of the Sold Receivables is currently on file or of record at any location except as has been filed or recorded from time to time in favor of Purchaser in accordance with this Agreement.

Section 8.5. Office Locations. As of the date hereof, the chief executive office of Seller is located at the address of Seller's business office appearing in Schedule A hereof, and the books, records and documents evidencing the Receivables to be sold hereunder are located at Seller's business offices located at the address appearing in Schedule A hereof.

Section 8.6. Taxes, etc. Seller's federal tax identification number is 94-1655526. There is no federal, state or local law or ordinance (other than income or franchise tax laws applicable to Purchaser generally) under which any Receivable which is sold to Purchaser under this Agreement shall be subjected to any property, excise, sales or other tax, assessment or governmental charge other than income or franchise taxes of Purchaser. To the extent any such Receivable is subject to any such tax, assessment or governmental charge, Seller hereby agrees to pay all such taxes, assessments and governmental charges.

Section 8.7. Disclosure. No representation or warranty of Seller contained in this Agreement or any other document, certificate or written statement furnished to Purchaser by Seller in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading; provided that any projections, proforma or preliminary financial information furnished are based on good faith estimates and assumptions believed to be reasonable at the time made and Purchaser acknowledges that such projections as to future events are not to be viewed as facts and that actual results for such period may differ from such projected results. There is

no fact known to Seller (other than matters of a general economic nature) that materially adversely affects the business, operations, property, assets or condition (financial or otherwise) of Seller and its Subsidiaries, taken as a whole, that has not been disclosed herein or in such other documents, certificates and statements furnished to Purchaser for use in connection with the transactions contemplated hereby.

Section 8.8. Receivables Valid and Binding; No Litigation. Each Receivable sold to Purchaser hereunder constitutes at the time of sale the legal, valid and binding obligation of the Obligor to Seller, subject to laws affecting the rights of creditors generally. Each such Receivable complies at the time of sale with the provisions of all applicable laws and regulations, whether federal, state or local, applicable thereto, other than provisions as to which the failure to

comply would not adversely affect the validity, enforceability or collectibility of the Receivables, and satisfies at the time of sale the requirements of Section 7.3 hereof in all respects. Each such Receivable is denominated and payable in Dollars. There are no known counterclaims or rights of set-off limiting the right of Purchaser to collect the Outstanding Balance, as adjusted for Credit Adjustments, of each such Receivable. To the best of Seller's knowledge, there is no order, judgment or decree of any court, arbitrator or similar tribunal or governmental authority purporting to enjoin or restrain Purchaser from making any Purchase, Seller from selling any Receivable or the Collection Agent or Purchaser from making any Collection, or which might otherwise adversely affect Seller's ability to perform its obligations hereunder. To the best of Seller's knowledge, there are no proceedings before any court, arbitrator or similar tribunal or governmental authority seeking to enjoin or restrain Purchaser from making any Purchase, Seller from selling any Receivable or the Collection Agent or Purchaser from making any Collection, or which might otherwise adversely affect Seller's ability to perform its obligations hereunder.

Section 8.9. Satisfaction of Conditions Precedent. At the time of each Purchase hereunder, each of the conditions precedent to such Purchase set forth in Article 9 will have been (i) waived in writing by Purchaser, or (ii) satisfied.

ARTICLE 9

Conditions To Purchases

Section 9.1. Conditions to Initial Purchases. The obligation of Purchaser to make its initial Purchase is, in addition to the conditions precedent specified in Sections 9.2 and 9.3 hereof, subject to prior or concurrent satisfaction of the following conditions. On or before the Initial Closing Date, Seller shall deliver to Purchaser:

A. Good Standing, Etc. Evidence reasonably satisfactory to Purchaser that Seller is duly organized and existing under the laws of Seller's state of incorporation and in California;

B. Corporate Resolutions. Resolutions of the Board of Directors of Seller approving and authorizing the execution, delivery and performance of this Agreement and the sales of Receivables to be made hereunder, certified as of the Initial Funding Date by its corporate secretary or an assistant secretary;

C. Signature and Incumbency Certificate. Signature and incumbency certificates of the officers of Seller executing this Agreement;

D. UCC Searches. A certificate copy of each Request for Information or Copies (Form UCC-11) (or a similar search report acceptable to Purchaser) listing the Financing Statements filed with respect to the Collateral (or similar search reports for jurisdictions where the UCC is not enacted), and showing that no Financing Statements have been filed with respect to, and presently cover, such Receivables (except those filed pursuant to this Agreement); the foregoing notwithstanding, Purchaser hereby confirms that with respect to the Initial Funding Date, Purchaser shall obtain such searches required hereunder;

E. Agreement. Executed original of this Agreement;

F. Opinion of Counsel. Executed original of one or more favorable written opinions of counsel, substantially in the form of Exhibit I hereto, reasonably satisfactory to Purchaser, dated as of the Initial Funding Date;

G. UCC-1s. Purchaser shall have received from Seller acknowledgment copies of all Financing Statements (Form UCC-1) filed with respect to the Collateral in each jurisdiction where necessary or appropriate to perfect Purchaser's ownership interest in such Collateral (or evidence of the satisfaction of such similar filing or other requirements as may be so necessary in each jurisdiction where the UCC is not enacted), Purchaser hereby agreeing that with respect to the Initial Funding Date, if Purchaser has received duly executed originals of the Financing Statements required hereunder at least two (2) days prior to the Initial Funding Date, then the acknowledgment copies of such filings required hereunder will be acceptable if received by Purchaser no later than ten (10) Business Days

after such Initial Funding Date;

H. Receivables Purchase Settlement Statement. As of the Settlement Date in respect of the Initial Funding Date, Seller shall deliver the Receivables Purchase Settlement Statement required by Section 2.1.C;

I. Subordination Agreements. Subordination agreements in form and substance acceptable to Purchaser from any and all prior filers with conflicting security interests in the Collateral; and

J. Other Documents. Such other documents, certificates, submissions, instruments, and agreements as reasonably requested by Purchaser relating to the transaction herein contemplated.

Section 9.2. Conditions to All Purchases. The obligation of Purchaser to make each Purchase, including the initial Purchase, is subject to the following further conditions precedent:

A. Purchaser shall have received, in accordance with the provisions of Section 2.1 as of any Settlement Date, an originally executed Receivables Purchase Settlement Statement relating to such Purchase, signed by the chief executive officer, the chief financial officer, the treasurer or any other authorized officer or designee of Seller on behalf of Seller.

B. As of the date of any Purchase:

1. The representations and warranties of Seller contained herein shall be true, correct and complete in all material respects on and as of the date of Purchase to the same extent as though made on and as of that date;

2. All Receivables sold by Seller on such date hereunder shall comply in all material respects with Section 7.3 hereof;

3. No event shall have occurred and be continuing or would result from the consummation of the Purchase contemplated by such Receivables Purchase Settlement Statement that would constitute an Event of Default or permit the acceleration or the increased amortization of the obligations created, or but for the passage of time or the giving of notice or both would constitute an Event of Default or permit the acceleration or the increased amortization of the obligations created, under this Agreement or any other agreement to which Seller is a party;

4. Seller shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed by it on or before such date of Purchase;

5. Seller shall have delivered such other and further Receivables Purchase Settlement Statements as may be required hereunder;

6. There shall not have occurred and be continuing an Event of Default by Seller under this Agreement;

7. Seller shall have delivered such other and further UCC-1s, amendments thereto and Subordination Agreements as Purchaser shall deem reasonably necessary; and

8. Seller shall have delivered such other documents, certificates, submissions, instruments, and agreements as reasonably requested by Purchaser relating to the transaction herein contemplated.

ARTICLE 10

Indemnities By Seller

Section 10.1. Right to Indemnification. Without prejudice to any other rights that Purchaser may have hereunder or under applicable law, Seller agrees to indemnify, pay and hold Purchaser and the employees and agents of Purchaser (collectively called the "Indemnitees") harmless from and

against, any and all liabilities, obligations, losses, damages (including consequential damages, except as expressly set forth below), penalties, actions, judgments, suits, claims, costs and expenses (including without limitation the reasonable fees and disbursements of counsel for such Indemnitees and reasonable costs of investigation and accountants) (collectively, "Indemnified Amounts"), which arise or result from: (i) any breach by Seller of its duties hereunder individually or as the Collection Agent, in connection with the collection of Sold Receivables; (ii) any dispute, claim, offset or defense of any Obligor (other than as a result of the Obligor's bankruptcy or insolvency) to the payment of any Receivable owned by Purchaser (including without limitation a defense based on such Receivable or the underlying Contract not being the legal, valid and binding obligation of such Obligor enforceable against such Obligor in accordance with its terms), in either case other than as a result of an act or omission of Purchaser not required or permitted under this Agreement; (iii) any other claim resulting from the sale of the Products and Services underlying the Receivable (including without limitation any warranty or product liability claims); or (iv) any breach by Seller of any of the terms, covenants, conditions or representations of this Agreement; excluding, in all cases however, (A) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnitee, (B) consequential, indirect, punitive or exemplary damages, except such damages which are imposed on the Indemnitee in favor of any third party in connection with the actions described in (i) through (iv) above, and (C) recourse for uncollectible Receivables and all income and franchise taxes on Purchaser; provided, further, that if an arbitrator or court of competent jurisdiction in a final non-appealable order determines that such Indemnified Amounts arose in part from such Indemnitee's gross negligence or willful misconduct, Seller shall reimburse such Indemnitee for the portion of such claim not resulting from such Indemnitee's gross negligence or willful misconduct. The obligations of Seller pursuant to this Section 10.1 shall survive any termination of this Agreement.

Section 10.2. Notification of Potential Liability. Each party will make good faith efforts to identify potential situations involving possible liability under this Article 10, and to determine the amount, if any, of such liability or obligations, and will, upon learning of such potential situations, promptly advise the other party.

Section 10.3. Litigation. The Seller agrees at its expense, at the Purchaser's request, to cooperate with the Purchaser in any action, suit or proceeding brought by or against the Purchaser relating to any of the transactions contemplated by this Agreement or to any of the Sold Receivables owned by the Purchaser (other than an action, suit or proceeding by the Seller against the Purchaser). In addition, the Seller agrees to notify the Purchaser and the Purchaser agrees to notify the Seller, at the Seller's expense, promptly upon learning of any pending or threatened action, suit or proceeding if the judgment or expenses of defending such action, suit or proceeding would be covered by Section 10.1 and (except for an action, suit or proceeding by the Seller against the Purchaser) to consult with the Purchaser, concerning the defense and prior to settlement; provided, however, that if (i) the Seller shall have acknowledged that Section 10.1 would cover any judgment or expenses in any action, suit or proceeding and (ii) in the Purchaser's sole determination, the Seller has the financial ability to satisfy such judgment or expenses, then the Seller shall have the right, on the Purchaser's behalf but at the Seller's expense, to defend such action, suit or proceeding with counsel selected by the Seller and shall have sole discretion as to whether to litigate, appeal or enter into an exclusively monetary settlement; and provided further that (i) the Purchaser's failure to provide any notice pursuant to this Section 10.3 shall not affect the indemnification of any party by the Seller

hereunder, and (ii) the Seller's sole and exclusive remedy in the event of any such failure to give notice by the Purchaser shall be a separate action against the Purchaser for damages actually incurred by the Seller as a direct result of the Purchaser's failure to provide such notice.

Section 10.4. Seller to Remain Obligated. Anything herein to the contrary notwithstanding: (i) Seller shall remain responsible and liable under the Contracts to the extent set forth in such Contracts or otherwise to perform all of its duties and obligations thereunder to the same extent as if the Sold Receivables applicable to such Contracts had not been sold

to Purchaser hereunder; (ii) the exercise by Purchaser of any of its rights hereunder shall not release Seller from any of its duties or obligations under such Contracts; and (iii) Purchaser shall not have any obligation or liability under such Contracts by reason of the purchase of the applicable Sold Receivables hereunder, nor shall Purchaser be obligated to perform any of the obligations or duties of Seller thereunder.

ARTICLE 11

Termination

Section 11.1. Termination. Absent termination of this Agreement pursuant to Article 12, this Agreement shall continue in full force and effect until the earlier of the date (i) which is ninety (90) days after written notice from any Party to the other Party of its election to terminate this Agreement, or (ii) on which all obligations of Seller to Purchaser and Purchaser to Seller, have been satisfied in full (the "Termination Date"). Subject to the provisions of Article 12, (i) no termination of this Agreement shall affect any monetary obligations hereunder of any Party arising prior to the effective date of such termination, (ii) no termination of this Agreement shall affect the obligation of Seller to make any payments to Purchaser required hereunder, including but not limited to payments of Credit Adjustments, (iii) no termination of this Agreement shall affect any obligations which, specifically by their terms, survive termination hereof, including but not limited to, Seller's indemnification obligations hereunder, and (iv) payments of any and all amounts from Obligor with respect to Sold Receivables (regardless of the existence of any other obligation or indebtedness of such Obligor then owed to the Seller or any other person or entity) to the Seller shall continue to be treated as Collections and shall be applied to repayment of Sold Receivables as set forth herein. Notwithstanding any such termination, Seller agrees that from time to time thereafter it will promptly execute and deliver all further instruments and documents, and take all further actions, that may be necessary or that Purchaser may reasonably request, in order to perfect, protect or more fully evidence Purchaser's right, title and interest in and to the Sold Receivables owned by Purchaser hereunder; to enable Purchaser to exercise or enforce any such rights; to facilitate maximum Collections; and/or otherwise to effectuate the intent of the Parties hereto with respect to the Sold Receivables and Collections.

ARTICLE 12

Events of Default

Section 12.1. Events of Default. Any of the following events will constitute an Event of Default by Seller under this Agreement:

(a) Except for the breach described in Section 12.1(c) below, Seller fails to perform any of its obligations contained herein or in any other related agreements between Seller and Purchaser, and such breach is not cured within thirty (30) days of Seller's receipt of written notice of such breach from Purchaser;

(b) any representation, statement, report, or certificate made or delivered by Seller to Purchaser is not accurate in all material respects when made (or when deemed made);

(c) Seller fails to pay any of its monetary obligations payable to Purchaser hereunder or under any other agreements related to this Agreement within five (5) days of when due and payable;

(d) any event or condition shall occur which results in the acceleration of the maturity of any debt of Seller or any subsidiary of Seller to a third party in excess of \$50,000,000 or enables (or, with the giving of

notice or lapse of time or both, would enable) the holder of such debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(e) final judgments or orders for the payment of money in excess of \$50,000,000 in the aggregate (excluding amounts with respect to which a financially sound and reputable insurer has admitted liability) shall be rendered against the Seller or any subsidiary of Seller and such judgments or orders shall continue unsatisfied or unstayed for a period of thirty (30) consecutive days;

(f) Seller shall cease existence as a corporation, other than as permitted under Section 7.5 hereof;

(g) Seller or any subsidiary of Seller shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; provided, however, that no event that would otherwise constitute an Event of Default under this Section 12.1(g) shall be an Event of Default if the total assets of all entities with respect to which such event has occurred which would otherwise have constituted an Event of Default under Sections 12.1 , (g), or (h) do not exceed \$50,000,000 in the aggregate; or

(h) an involuntary case or other proceeding shall be commenced against Seller or any subsidiary of Seller seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against Seller or any subsidiary of Seller under the federal bankruptcy laws as now or hereafter in effect; provided, however, that no event that would otherwise constitute an Event of Default under this Section 12.1(h) shall be an Event of Default if the total assets of all entities with respect to which such event has occurred which would otherwise have constituted an Event of Default under Sections 12.1 (g) or (h) do not exceed \$50,000,000 in the aggregate.

Section 12.2. Remedies. If any Event of Default is not cured within the period specified above, (with respect to Sections 12.1 (g) or (h) Purchaser may act immediately upon the occurrence of any such Event of Default), Purchaser may, at any time of its election, without prior notice or demand to Seller, do any one or more of the following: (i) cease making Purchases hereunder; (ii) declare the Facility Termination Date to have occurred; (iii) apply a default charge to Seller's outstanding monetary obligations then due and payable to Purchaser hereunder equal to the lesser of four percent (4%) per annum in excess of the Prime Rate, or the highest lawful contract rate of interest permitted by applicable law; provided, however, that such default charge shall accrue only during the continuance of an Event of Default or until payment of such monetary obligation and only be applicable to (A) Collections which Seller has failed to pay to Purchaser in accordance with the terms hereof after the applicable First Collection Settlement Date, and (B) Credit Adjustments, any delinquent Receivables payments described in Section 3.3.B(i) hereof, and any other obligations payable by Seller to Purchaser hereunder or under any other related agreements, which Seller has failed to pay to Purchaser when due (other than any indemnification obligations), or (iv) exercise any or all rights under applicable law. All Purchaser's rights and remedies are cumulative. The Purchaser's failure to exercise any of its rights or remedies hereunder will not waive any of its rights or remedies as to any past, current or future Event of Default.

Section 13.1. Costs and Expenses. Seller shall pay on demand all costs and expenses incurred by Purchaser in connection with enforcement of this Agreement and the other documents to be delivered hereunder, including accountants' and attorneys' fees and expenses. The obligations of Seller under this Section 13.1 shall survive the termination of this Agreement.

Section 13.2. Addresses. All Notices provided for hereunder shall be in writing (including facsimile transmissions or telegraphic or telex communications) and mailed (return receipt requested), telecopied, telegraphed, telexed or delivered, as appropriate, to each party at the address set forth as follows or at such other address as the party affected may designate in a written notice to the other parties hereto complying as to delivery with the terms of this Article 13. All such Notices and fund transfers shall be effective when received.

If Notice to Purchaser:

Deutsche Financial Services (UK) Limited
1 Station View
Guildford, Surrey
England, GU1 4JY
Attention: Senior Vice-President
Facsimile No. 011-44-1-483-500340

With a copy to:

Deutsche Financial Services Corporation
655 Maryville Centre Drive
St. Louis, MO 63141-5832
Attention: General Counsel
Facsimile No.: (314) 523-3190

If Notice to Seller:

Applied Materials, Inc.
3050 Bowers Avenue, M/S 2036
Santa Clara, CA 95054
Attention: Diane Gale, Assistant Treasurer
Facsimile No.: (408) 986-7825

With a copy to:

Applied Materials, Inc.
3050 Bowers Avenue, M/S 2062
Santa Clara, CA 95054
Attention: Barry Quan, Managing Director, Legal Affairs
Facsimile No.: (408) 986-2836

All funds transfers shall be made as follows:

If funds transfer to Purchaser:

Bank: Deutsche Bank London
Swift # : DEUTGB2LXXX:
Account No.: 0154344-001
Reference: Deutsche Financial Services

If funds transfer to Seller:

Bank: Mellon Bank, Pittsburgh, PA.
ABA Routing No.: 043000261
Account No.: 020 8830
Reference: Applied Materials Inc.

Section 13.3. Further Cooperation. Seller agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that Purchaser may reasonably request, in order to perfect, protect or more fully evidence Purchaser's right, title and interest in and to the Sold Receivables owned by Purchaser hereunder or to enable Purchaser to exercise or enforce any such rights. Purchaser will promptly execute and deliver any release or termination statement required under the UCC when this Agreement shall have terminated and all Sold Receivables shall have either been collected in full or otherwise discharged in a manner reasonably satisfactory to Purchaser.

Section 13.4. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or

unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall, to the extent permitted by law, not in any way be affected or impaired thereby.

Section 13.5. Amendments and Waivers. No amendment or waiver of any provision of this Agreement, nor consent to any departure by Seller or Purchaser therefrom, shall in any event be effective unless the same shall be in writing and signed by Seller and Purchaser, and then such waiver or consent shall be effective only in the specified instance and for the specific purpose for which given.

Section 13.6. Cumulative Rights. All rights and remedies of the parties hereto under this Agreement shall, except as otherwise specifically provided herein, be cumulative and nonexclusive of any rights and remedies which they may have under any other agreement or instrument, by operation of law, or otherwise.

Section 13.7. Effectiveness. This Agreement shall become effective when it shall have been executed and delivered by all parties hereto and thereafter shall be binding upon and inure to the benefit of Seller and Purchaser and their respective successors and assigns, except that neither party shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other party, which consent may in the discretion of such other party be withheld; provided, however, that Purchaser may participate any of its interest in this Agreement and the Sold Receivables to a third party, with the consent of Seller if no Event of Default exists and no consent of Seller but with notice to Seller if an Event of Default exists.

Section 13.8. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

Section 13.9. Confidentiality. The Purchaser and the Seller each shall hold all non-public information obtained pursuant to this Agreement and the transactions contemplated hereby or effected in connection herewith confidential. Purchaser may make disclosure reasonably required by any bona fide transferee or prospective transferee in connection with the contemplated transfer of any Sold Receivable or participation in this Agreement by the Purchaser so long as such Person signs a confidentiality agreement. Either Party may disclose confidential information as required by law or as requested by any governmental agency or representative thereof or pursuant to legal process; provided that, unless specifically prohibited by applicable law or court order, each party hereto shall notify the other parties hereto of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Purchaser by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information to permit the party affected to contest such disclosure, if

possible; provided further that in no event shall the Purchaser be obligated or required to return any materials furnished by the Seller.

Section 13.10. No Affiliation. Purchaser and Seller each hereby represents and warrants that neither Purchaser nor Seller is under common control or ownership with the other. Neither Seller nor Purchaser shall have any right or authority to bind the other or create any obligation or responsibility, express or implied, on behalf of the other, or in the other's name, except as may be herein expressly permitted. Nothing stated in this Agreement shall be construed as constituting Seller and Purchaser as partners or joint venturers, or as creating the relationship of employer and employee, master and servant, franchisor and franchisee, or principal and, except for Seller being Collection Agent, agent between Seller and Purchaser.

Section 13.11. List of Schedules and Exhibits. The following Schedules and Exhibits are attached to this Agreement and are incorporated herein by this reference:

Schedule A - Seller's Chief Executive Offices
Schedule B - Acceptable Obligors

Schedule C - Form of Receivable Verification Letter
Exhibit I - Forms of Opinions of Counsel
Exhibit II - Form of Receivables Purchase

Settlement Statement

Exhibit III - Seller's Payment Terms
Exhibit IV - Seller's Collection Procedures
Exhibit V - Form of Monthly Status Report

Section 13.12. Limitation on Damages. Except as may be expressly provided for in this Agreement or any other agreement between them, neither Purchaser nor Seller shall be liable to the other for exemplary, consequential or punitive damages.

Section 13.13. Jurisdiction; Jury Trial Waiver, Etc. ANY LEGAL PROCEEDING WITH RESPECT TO ANY DISPUTE OR OTHER MATTER ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE DOCUMENTS INSTRUMENTS OR AGREEMENTS RELATED HERETO WILL BE TRIED IN A COURT OF COMPETENT JURISDICTION LOCATED IN SANTA CLARA COUNTY, CALIFORNIA, BY A JUDGE WITHOUT A JURY. SELLER AND PURCHASER WAIVE ANY RIGHT TO A JURY TRIAL IN ANY SUCH PROCEEDING. SELLER AND PURCHASER FURTHER WAIVE ANY RIGHT TO CLAIM ANY EXEMPLARY OR PUNITIVE DAMAGES IN ANY SUCH PROCEEDING.

Section 14. Governing Law. Purchaser and Seller acknowledge and agree that this and all other agreements between Purchaser and Seller have been substantially negotiated, and will be substantially performed, in the State of California. Accordingly, Purchaser and Seller agree that this Agreement and all matters relating hereto shall be governed by and construed in accordance with the laws of the State of California.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement by their officers thereunto duly authorized as of the date first above written.

THIS AGREEMENT CONTAINS JURY WAIVER AND PUNITIVE DAMAGES WAIVER PROVISIONS.

APPLIED MATERIALS, INC.

By: /s/ Nancy H. Handel
Title: Vice President Global
Finance and Treasurer

By: /s/ Joseph R. Bronson
Title: Senior Vice President,
Chief Financial Officer and
Chief Administrative Officer

DEUTSCHE FINANCIAL SERVICES
(UK) LIMITED

By: /s/ Richard C. Goldman
Title: Director

SCHEDULE A

CHIEF EXECUTIVE OFFICES

Applied Materials, Inc.
3050 Bowers Avenue,
Santa Clara, CA 95054

SCHEDULE B
ACCEPTABLE OBLIGORS

The following Obligors shall be deemed acceptable, subject in all events to the terms of the Agreement and subject further to the maximum Outstanding Balance limitation set forth opposite such Obligor's name, which additionally are subject, in all events to the A/R Limit:

OBLIGOR	MAXIMUM OUTSTANDING BALANCE LIMITATION
Advanced Micro Devices-Saxony	\$10,213,579.15
Compagnie IBM France	\$3,872,538.16
Intel Electronics Ltd.	\$1,822,071.56
Micron Technology Italia S.R.L.	\$5,146,919.68
Philips Bedrijven	\$1,000,000.00
Siemens AG	\$849,150.00
STMicroelectronics	\$1,852,668.00

SCHEDULE C
FORM OF RECEIVABLE VERIFICATION LETTER

SCHEDULE C
Applied Materials, Inc.
1 Station View
Guildford, Surrey
England GU1 4JY

For Comparison Purposes Only

This is not a request for remittance

Gentlemen,

We are conducting an audit of our Invoice Processing System. Please advise whether the following unpaid charges against your account as of _____ are in agreement with your records.

The items indicated may or may not include all of the current charges. Verification of only those listed is requested.

In either case, please sign below in the space provided and return this form directly to Applied Materials Inc. at the address listed above in the postage prepaid envelope enclosed for your convenience. Please do not make any payments to this address.

Invoice Number	Invoice Date	P.O. Number	Amount Due
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

Total:

Remarks:

THE ABOVE LISTED INVOICES, NUMBERS, DATES, AND AMOUNTS

Do agree with our records
Do not agree with our records

Authorized Signature

If you have any questions, please call Dan Clayton at (408) 563-7315.

EXHIBIT I
FORMS OF OPINIONS OF COUNSEL

January 28, 1999

Deutsche Financial Services (UK) Limited
1 Station View
Guilford, Surrey, England, GU1 4JY

Ladies and Gentlemen:

We have acted as counsel to Applied Materials, Inc., a Delaware corporation (the "Company") in connection with that certain Receivable Purchase Agreement (the "Agreement") dated as of January 26, 1999 between the Company and you.

In this regard, we have examined executed originals or copies of the Agreement, a copy of which have been delivered to you, including the letter from the Company to you (the "Assignment") dated January 28, 1999 titled Receivables Purchase Settlement Statement (Including Assignment of Receivables) delivered in connection therewith, together with such other exhibits and schedules delivered in connection with the Agreement.

Based upon such examination and having regard for legal considerations which we deem relevant, we are of the opinion that each of the Agreement and the Assignment are the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

With your permission we have assumed the following
(a) authenticity of original documents and the genuineness of all signatures; (b) the conformity to the originals of all documents submitted to us as copies; (c) the truth, accuracy, and completeness of the information, representations and warranties contained in the records, documents, instruments and certificates we have reviewed; (d) that the documents referred

to herein were duly authorized, executed and delivered on behalf of the respective parties thereto and, other than with respect to the Company, are legal, valid, and binding obligations of such parties; (e) the compliance by you with any applicable requirements to file returns and pay taxes under the California Franchise Tax Law; (f) the compliance by you with any state or federal laws or regulations applicable to you in connection with the transactions described in the Agreement and (g) the absence of any evidence extrinsic to the provisions of the written agreements between the parties that the parties intended a meeting contrary to that expressed by those provisions.

We express no opinion as to matters of law in jurisdictions other than the State of California and the United States.

Our opinion that any document is legal, valid, binding, or enforceable in accordance with its terms is qualified as to:

- (a) limitations imposed by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other similar laws relating to or affecting the enforcement of creditors' rights generally;
- (b) general principles of equity, including without limitation concepts of mutuality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law;
- (c) rights to indemnification and contribution which may be limited by applicable law and equitable principles; and
- (d) the unenforceability under certain circumstances of provisions expressly or by implication waiving broadly or vaguely stated rights (including, without limitation, waivers of any objection to venue and forum non conveniens and the right to a jury trial), the benefits of statutory constitutional provisions, unknown future rights, and defenses to obligations or rights granted by law, where such waivers are against public policy or prohibited by law.

We note that you are receiving of even date herewith the opinion of Barry Quan, Managing Director, Legal Affairs of the Company, as to certain matters relating to the Company. We have made no independent examination of such matters.

This opinion is solely for the benefit of Deutsche Financial Services (UK) Limited in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to by, nor may copies hereof be delivered to, any other person without our prior written approval. We disclaim any obligation to update this opinion letter for events occurring or coming to our attention after the date hereof.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE
LLP

EXHIBIT II

FORM OF RECEIVABLES PURCHASE SETTLEMENT STATEMENT

RECEIVABLES PURCHASE SETTLEMENT STATEMENT
(Including Assignment of Receivables)

Deutsche Financial Services (UK) Limited
1 Station View
Guildford, Surrey
England GU1 4JY
Attention: Senior Vice President

Re: Assignment of Receivables

Pursuant to Section 2.1.C of the Receivables Purchase Agreement (the "Agreement") dated as of January 26, 1999 by and between Applied Materials, Inc. ("Seller"), as Seller, and Deutsche Financial Services (UK) Limited ("Purchaser"), as Purchaser, Seller hereby sells, transfers and assigns to Purchaser, without recourse, except as provided in the Agreement, Seller's right, title and interest in and to all of the Receivables described on the Attachment 1 hereto, and all collateral, if any, securing such Receivables. Such Receivables satisfy the requirements of the Agreement for Purchase by Purchaser, including without limitation Section 7.3 thereof. Seller represents that all such Receivables are free and clear of all security interests, liens, charges, encumbrances and rights of others other than the respective Obligor's interest in the Products and/or Services relating thereto, and other than as otherwise expressly permitted in the Agreement. Terms utilized herein which are not otherwise defined shall bear the meanings set forth in the Agreement.

Seller further certifies that (i) Attachment 1 hereto is accurate and complete on and as of this date and each Receivable and Obligor reflected thereon or covered thereby complies in all respects with Section 7.3 of the Agreement; (ii) Seller is in compliance in all material respects with all terms and covenants set forth in the Agreement on and as of this date, (iii) Seller's representations and warranties set forth in the Agreement are true, correct and complete in all material respects on and as of this date to the same extent as though made on and as of this date; provided, however, no representation or warranty is made as to any Receivable other than the Receivables described on Attachment 1; (iv) no event has occurred and is continuing or will result from the consummation of the Purchase contemplated hereby that would constitute an Event of Default, or but for the passage of time or the giving of notice or both would constitute an Event of Default under the Agreement; and (v) Seller has performed in all material respects all agreements and has satisfied all conditions which the Agreement provides shall be performed by it on or before this date.

APPLIED MATERIALS, INC.

By: _____

Title: _____

Date: _____

Deutsche Financial Services (UK) Limited, as Purchaser under the Agreement, hereby accepts the Assignment of Receivables set forth above.

DEUTSCHE FINANCIAL SERVICES
(UK) LIMITED

By: _____

Title: _____

Date: _____

Exhibit III

Seller's Payment Terms

Payment Terms

Standard payment terms for Systems shipments for the Applied Materials Europe (AME) region are "90% due in 30 days from receipt of equipment not to exceed 45 days from shipment, and 10% not to exceed 75 days from shipment, if no fault of Applied Materials". Exceptions to the standard payment terms are often made to accommodate high volume purchase agreements, customer-satisfaction issues, and competitive issues.

The exceptions normally include a smaller percentage due in 30 days (i.e. 80% due in 30 days, 20% not to exceed 75 days....), or longer pay periods attached to the first-tier invoice (90% due in 60 days,), or longer pay periods attached to the second-tier invoice (....., 20% not to exceed 90 days, if no fault of Applied Materials).

The first-tier invoice is always due based on invoice date (which approximates the ship date), and is not subject to technical acceptance or any other measure. The second-tier invoice is payable subject to technical acceptance (according to the specifications on the Purchase Order) by the customer.

Exhibit IV

Seller's Collection Procedures

Applied Materials, Inc. Accounts Receivable Collections Procedure

The standard systems collections procedure for the first-tier invoice (which implies that there is no technical acceptance requirement) is as follows:

- a) No later than 5 days prior to the payment due date, the Applied Materials Inc. (AMAT) collection representative contacts the Obligor's accounts payable department for payment status on the invoice.
- b) If the Obligor's accounts payable department requires a copy of the invoice, the AMAT collection representative will deliver this to the customer on the same day via fax, or overnight if original copy is required.
- c) If there is a pricing or proof of delivery issue, the collection representative will follow-up with the product business group and the invoicing group to verify prices listing vs. purchase order information and obtain a copy of the airway bill or proof of delivery.
- d) Issues that delay or prohibit payment by the Obligor are immediately escalated to the Obligor's purchasing department and to the AMAT account team, so that resolution is obtained as soon as possible.
- e) If an Obligor is not paying or slow-paying an invoice(s) for an undetermined reason, the issue is immediately escalated to the account team and the global credit & collections manager. The non-payment issue is escalated within the Obligor's organization at the purchasing, accounts payable, and corporate finance levels.
- f) Non-payment of a first-tier invoice beyond 30 days from due date, with no known set payment date or an unacceptable payment date, results in a "demand" letter that outlines the total amount due and the expected payment date. Failure by the Obligor to settle the terms of the "demand" letter results in a credit hold. The credit hold represents no shipments or limited shipments, and may impact all systems, spares, service agreement, labor, etc. services and product shipments.
- g) At the point that a "demand" letter is sent to a customer, the issue is also escalated internally within AMAT to the Treasurer, Global Operations Finance Director, Regional President, and Regional Finance Director levels.
- h) In some cases, longer short-term (1-2 months) payment schedules are agreed to accommodate cash-flow issues.
- i) Only as a last resort, collections suits and repossession of product activities occur.

Exhibit V

Form of Monthly Status Report

(Seller to Supply)

Receivables Assigned to Deutsche Financial Services (UK) Limited
Under A Receivables Purchase Agreement, Dated As Of Jan. 26, 1999.

Initial Funding Date: 01/28/99
First Collection Settlement Date: 04/13/99
Report Date: 02/27/99

Receivables Status Report

Obligor	Invoice #	Invoice Date	Due Date	Date of to DFS Sale	Invoice Amount(\$)	Inelig- ible Amount	Collected Amount	Date Collected	Date Wired to DFS	Aging	Balance Out- standing	Comments
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Sub-Total By Customer:

Grand Total:

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED JANUARY 31, 1999.

1,000

	3-MOS	
	OCT-31-1999	
	OCT-26-1998	
	JAN-31-1999	
		562,401
		1,361,912
		671,319
		0
		552,779
		3,597,539
		1,997,659
		770,958
		4,960,737
1,042,959		
		616,902
0		
		0
		3,730
4,960,737		3,216,385
		742,477
		742,477
		421,374
		421,374
		141,207
		0
		11,470
		76,645
		23,760
52,885		
		0
		0
		0
		52,885
		0.14
		0.14

ITEM IS SHOWN NET OF ALLOWANCE, CONSISTENT WITH BALANCE SHEET PRESENTATION.
ITEM CONSISTS OF RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSES.
ITEM CONSISTS OF BASIC EARNINGS PER SHARE.