1994
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
Mark one

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

For the fiscal year ended OCTOBER 30, 1994

[ ] 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
Address of principal executive offices	(Zip Code)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE	(408) 727-5555

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

Title of class	Name of each exchange on which registered
None	None

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

Common Stock, $.01 par value	NASDAQ

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 X No .

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

Aggregate market value of the voting stock held by non affiliates of the registrant as of November 1, 1994: $4,138,522,014

Number of shares outstanding of the issuer's Common Stock, $.01 par value, as of November 1, 1994: 84,119,287.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of Applied Materials 1994 Annual Report for the year ended October 30, 1994 are incorporated by reference into Parts I , II and IV of this Form 10-K. Portions of the definitive Proxy Statement for the Company's Annual Meeting of Stockholders to be held on March 14, 1995 are incorporated by reference into Part III of this Form 10-K.

Index of Exhibits on pages 29 through 31.

PART I

ITEM 1: BUSINESS

Organized in 1967, Applied Materials, Inc. ("Applied Materials" or the "Company") develops, manufactures, markets and services semiconductor wafer fabrication equipment and related spare parts. The Company's worldwide customers include both companies which manufacture semiconductor devices for use in their own products and companies which manufacture semiconductor devices for sale to others. Applied Materials operates exclusively in the semiconductor wafer fabrication equipment industry. The Company is also a fifty percent stockholder in Applied Komatsu Technology, Inc., which produces thin film transistor manufacturing systems for active-matrix liquid crystal displays.

PRODUCTS

Applied Materials' products are sophisticated systems requiring state-of-the-art technology in wafer processing chemistry and physics, particulate management, automation, process control and software. Many of these technologies are complementary and can be applied across all of the Company's products. The Company's products provide enabling technology, productivity and yield enhancements to semiconductor manufacturers. The Company's products are used to fabricate semiconductor devices on a substrate of semiconductor material (usually silicon). Finished devices consist of thin film layers which can form anywhere from one to millions of tiny electronic components that combine to perform desired electrical functions. The fabrication process must control film and feature quality to ensure proper device performance while meeting yield and throughput goals. The Company currently manufactures equipment that addresses three steps in wafer fabrication: deposition, etch and ion implantation.

Single-wafer, multichamber architecture.

Recognizing the trend toward more stringent process requirements and larger wafer sizes, Applied Materials developed a single-wafer, multichamber system called the Precision 5000. The Company introduced the Precision 5000 with dielectric Chemical Vapor Deposition (CVD) processes in 1987, etch processes in 1988 and CVD tungsten processes (WCVD) in 1989. The Precision 5000's single-wafer, multichamber architecture which features several processing chambers, each of which is attached to a central handling system, is designed for both serial and integrated processing. The Precision 5000's integrated processing capability makes it possible to perform multiple process steps without the wafer leaving a controlled environment, thus reducing the risk of particulate contamination. The Company leveraged its expertise in single-wafer, multichamber architecture to develop an evolutionary platform called the Endura 5500 PVD (physical vapor deposition) in 1990 featuring a staged, ultra-high vacuum architecture for the rapid sputtering of aluminum and other metal films used to form the circuit interconnections on advanced devices. In October 1991, the Company announced its second-generation Precision 5000 system, the Precision 5000 Mark II, with numerous enhancements to the platform, process chambers and remote support equipment. The Precision 5000 Mark II is used to manufacture advanced devices, such as 16 megabit DRAMs (Dynamic Random Access Memories), on wafers up to 200mm (8-inch) in diameter. In September 1992, the Company announced its latest generation single-wafer, multichamber platform, the Centura, to target the high temperature thin films market as well as future process applications with 0.5 micron and below specifications. The Company has shipped more than 2,000 multichamber platforms and more than 6,000 process chambers. For the fiscal year ended October 30, 1994, sales of the Company's single-wafer, multichamber systems accounted for approximately 86% of systems revenue.

Deposition.

A fundamental step in semiconductor fabrication, deposition is the process of layering either electrically insulating (dielectric) or electrically conductive material on the wafer. Applied Materials currently participates in chemical vapor deposition (CVD), physical vapor deposition (PVD), and epitaxial and polysilicon deposition.

CVD. Chemical vapor deposition deposits thin films (insulators, conductors and semiconductors) from gaseous sources. In 1987, the Company introduced the Precision 5000 CVD which performs a broad range of deposition processes utilizing up to four individual chambers on a single system. In 1989, the Company entered the market for metal CVD with a new system for blanket tungsten deposition, the Precision 5000 WCVD. This system is based on the single-wafer, multichamber Precision 5000 CVD system architecture and is designed to reduce operating costs for tungsten deposition and to produce high-quality tungsten films for interconnect applications in advanced semiconductor devices. In 1990, the Company introduced integrated tungsten plug fabrication capability by combining its blanket tungsten CVD deposition and etchback capabilities onto the same system. In 1991, the Company introduced tungsten silicide capabilities and in 1993, titanium nitride (TiN) capabilities to further extend the Precision 5000 platform offerings. The Company released its newest generation of sub-atmospheric process technology on the Precision 5000 Mark II CVD platform in April 1994, addressing 0.35 micron applications. In May 1994, the Company introduced a new multi-platform chamber for blanket tungsten deposition on wafers up to 200mm (8 inch) in diameter.

PVD. Physical vapor deposition sputters metals on wafers during semiconductor fabrication. Unlike CVD, the sources of the deposited materials are solid sources of the films to be deposited. Applied Materials entered the PVD market in April 1990 with the Endura PVD system. The system utilizes a modular, single-wafer, multichamber platform which accommodates ultra-high vacuum (UHV) processes like PVD, and conventional high-vacuum processes like CVD and etch. In July of 1993, the Company introduced the Endura High Productivity (HP) PVD system, an enhanced version of the Endura PVD system. In November 1993, the Centura HP PVD was introduced in order to offer customers a choice of platforms using the Company's PVD technology.

Epitaxial and polysilicon deposition. Epitaxial and polysilicon deposition involve depositing a layer of high-quality, silicon-based compounds on the surface of the silicon wafer. The epitaxial layer forms the base of some types of integrated circuits. In 1989, the Company introduced the Precision 7700 Epi system for advanced silicon deposition. The 7700 system extends the capabilities of radiantly-heated "barrel" technology and incorporates fully-automated wafer handling as well as many features for particulate control. In September 1992, the Company announced the Centura Poly, a single-wafer, multichamber platform targeted at the high-temperature thin film deposition of polysilicon on wafers up to 200mm (8 inch) in diameter. The Centura Epi system, which deposits epitaxial silicon, was announced in March 1993. In December 1993, the Company launched the Polycide Centura which combines chambers for polysilicon and tungsten silicide deposition on the Centura platform.

Etch.

Before etch processing begins, a wafer is patterned with photoresist during photolithography. Etching then selectively removes material from areas which are not covered by the photoresist pattern. Applied Materials entered the etch market in 1981 with the introduction of the AME 8100 etch system, which utilized a batch process technology for dry plasma etching. In 1985, the Company introduced the Precision Etch 8300, which featured improved levels of automation and particulate control. The Company continues to sell the Precision Etch 8300 product and has shipped approximately 825 systems. Applied Materials' first single-wafer, multichamber system for the dry etch market was the Precision 5000 Etch, introduced in 1988. In 1990, the Company introduced a metal etch system based on the Precision 5000 architecture which provides single-wafer, aluminum etch capabilities. In July 1993, the Company introduced its next generation etch system, the Omega Centura, designed for critical oxide etch applications requiring sub-0.5 micron design rules. This announcement was followed by the October 1993 introduction of the Precision 5000 Mark II Etch MxP, a new model of the Precision 5000-series etch system with several enhancements including process capability for 0.35 micron applications. In July 1994, Applied Materials introduced the Metal Etch MxP Centura, which combines sub-0.5 micron process technology with improved throughput.

Ion Implantation.

During ion implantation, silicon wafers are bombarded by a high-velocity beam of electrically charged ions. These ions penetrate the wafer at selected sites and change the electrical properties of the implanted area. Applied Materials entered the high-current portion of the implant market in 1985 with the Precision Implant 9000 and introduced the Precision Implant 9200 in 1988. In 1989, the Company added enhancements to the 9200 series including a new option for automated selection of implant angles, and new hardware/software options that enable customers to perform remote monitoring and diagnostics. In 1991, the Company announced an enhanced version of its high-current ion implanter and designated it the Precision Implant 9200XJ. In November 1992, the Company introduced a new high-current ion implantation system, the Precision Implant 9500, to address the production of high-density semiconductor devices, such as 16 megabit and 64 megabit memory devices and advanced microprocessors.

CUSTOMER SERVICE AND SUPPORT

The customer requirement for high yields of integrated circuits during the manufacturing process requires that semiconductor wafer fabrication equipment operates reliably, with maximum uptime and within very precise tolerances. Applied Materials installs its equipment and provides warranty service worldwide through offices located in the United States, Japan, Europe and the Asia-Pacific region (Korea, Taiwan, China and Singapore). Applied Materials maintains 54 service/sales offices worldwide, with 15 offices in Japan, 9 offices in Europe, 8 offices in the Asia/Pacific region, and the remainder in the United States. The Company offers a variety of service contracts to customers for maintenance of installed equipment and provides a comprehensive training program for all customers.

BACKLOG

At October 30, 1994, the Company's backlog totaled $715.2 million, compared to $365.8 million at October 31, 1993. The Company expects to fill the present backlog of orders during fiscal 1995.

MANUFACTURING, RAW MATERIALS AND SUPPLIES

The Company's manufacturing activities consist primarily of assembling various commercial and proprietary components into finished systems, principally in the United States, with additional operations in England and Japan. Production requires some raw materials and a wide variety of mechanical and electrical components, which are manufactured to the Company's

specifications. Multiple commercial sources are available for most components. The Company has consolidated the number of sources for several key purchased items for purposes of improving its position with its suppliers, resulting in higher levels of on-time delivery, lower inventory levels and better pricing to the Company. There have been no significant delays in receiving components from sole source suppliers; however, the unavailability of any of these sources could disrupt scheduled deliveries to customers.

MARKETING AND SALES

Because of the highly technical nature of its products, the Company markets its products worldwide through a direct sales force, with sales, service and spare parts offices in the United States, Japan, Europe and the Asia-Pacific region. For the fiscal year ended October 30, 1994, sales to customers in the United States, Japan, Europe and Asia-Pacific accounted for approximately 37%, 27%, 18% and 18%, respectively, of the Company's net sales. For the fiscal year ended October 31, 1993, sales to customers in the United States, Japan, Europe and Asia-Pacific accounted for approximately 38%, 25%, 20% and 17%, respectively, of the Company's net sales. The Company's business is not considered to be seasonal in nature, but it is subject to the capital equipment expenditure patterns of major semiconductor manufacturers which are based on many factors including anticipated market demand for integrated circuits, the development of new technologies and global economic conditions.

RESEARCH AND DEVELOPMENT

The market served by the Company is characterized by rapid technological change. The Company's research and development efforts are global in nature. Engineering organizations are located in the United States, England, Israel and Japan, with process support and customer demonstration laboratories in the United States, England and Japan. In 1991, the Company announced the opening of an expanded technology center in Narita, Japan. In 1994, the Company announced plans to build and operate technology centers in South Korea and Taiwan. The Company also operates a technology center in Israel which is being used to develop controller configuration and software tools for its semiconductor processing systems. Applied Materials' research and development activities are primarily directed toward the development of new wafer processing systems and new process applications for existing products. Applied Materials works closely with its global customers to design its systems to meet its customers' planned technical and production requirements.

COMPETITION

The global semiconductor equipment industry is highly competitive and is characterized by rapid technological advancements and demanding worldwide service requirements. Each of the Company's products competes in markets defined by the particular wafer fabrication process it performs. There are several companies that compete with Applied Materials in each of these markets. Competition is based on many factors, primarily technological advancements, productivity and cost-effectiveness, customer support, contamination control, and overall product quality. Management believes that the Company's competitive advantage in each of its served markets is based on the ability of its products and services to address customer requirements as they relate to these competitive factors.

Applied Materials is a principal supplier in each of its served markets. The Company faces strong competition throughout the world from other semiconductor equipment manufacturers as well as semiconductor manufacturers who design and produce fabrication equipment for their own internal uses and, in some cases, for resale. Management believes that the Company is a strong competitor with respect to its products, services and resources. However, new products, pricing pressures, and other competitive actions from both new and existing competitors could adversely affect the Company's market position.

JOINT VENTURE

In September 1991, the Company announced its plans to develop thin film transistor (TFT) manufacturing systems for Active-Matrix Liquid Crystal Displays (AMLCDs). The AMLCD market currently includes screens for laptop, notebook and palmtop computers and instrument displays, and the Company believes that this market in the future may include high-resolution workstations and high definition television (HDTV). In September 1993, a joint venture company was formed with Applied Materials, Inc. and Komatsu Ltd. of Japan sharing a 50-50 ownership of the joint venture. The joint venture, Applied Komatsu Technology, Inc. (AKT), is accounted for using the equity method. The Company's management believes that systems developed by AKT have the potential to lower the manufacturing costs of AMLCDs. The Company has granted to AKT an exclusive license to use the Company's intellectual property to develop, make, and sell products for the manufacture of flat panel displays, in exchange for royalties in respect thereof. AKT anticipates accelerating its investment in product technologies for both PVD and Etch in addition to expanding the substrate size of its CVD product in fiscal 1995 and 1996.

PATENTS AND LICENSES

Management believes that the Company's competitive position is primarily dependent upon skills in engineering, production, and marketing rather than its patent position. However, protection of the Company's technology assets by obtaining and enforcing patents is increasingly important. Consequently, the Company has an active program to file applications in both the United States and in other countries on inventions which the Company considers significant. The Company has a number of patents in the United States and other countries and additional applications are pending relating to new developments in its equipment and processes. In addition to patents, the Company also possesses other proprietary intellectual property, including trademarks, know-how, trade secrets and copyrights.

The Company enters into patent and technology licensing agreements with others when management determines that it is in the Company's interest to do so. The Company pays reasonable royalties under existing patent license agreements for the use, in several of its products, of certain patents which are licensed to the Company for the life of the patents.

The Company has made its technology, including patents, available to AKT through a license arrangement which permits AKT to use the Company's technology to develop, manufacture and sell equipment for the flat panel display industry.

In the normal course of business, the Company from time to time receives and makes inquiries with regard to possible patent infringement. In dealing with such inquiries, it may become necessary or useful in the future for the Company to obtain and grant licenses or other rights. However, there can be no assurance that such license rights will be available to the Company on commercially reasonable terms. While there can be no assurance about the outcome of such inquiries, the Company believes it is unlikely that their resolution will have a material adverse effect on its financial position.

ENVIRONMENTAL MATTERS

Although one of the Company's locations has been designated as a Superfund site by the U.S. Environmental Protection Agency, neither compliance with Federal, State and local provisions regulating discharge of materials into the environment, nor remedial agreements or other actions relating to the environment, has had or is expected to have a material effect on the Company's capital expenditures, earnings or competitive position.

EMPLOYEES

At October 30, 1994, the Company employed 6,497 persons. None of these employees was represented by a union. Management considers its relations with its employees to be good.

The following portions of the Company's 1994 Annual Report are incorporated herein by reference: "Management's Discussion and Analysis of Financial Condition and Results of Operations," pages 27 through 30, and the Consolidated Financial Statements and accompanying notes thereto, pages 31 through 45.

ITEM 2: PROPERTIES

Certain information concerning the Company's principal properties at October 30, 1994 is set forth below:

Location	Type	Principal use	Square Footage	Ownership
Santa Clara, CA	Office, plant & warehouse	Headquarters, Marketing, Manufacturing, Research and Engineering	361,500 881,600	owned leased
Austin, TX	Office, plant & warehouse	Manufacturing	154,000	owned
Horsham, England	Office, plant & warehouse	Manufacturing, Research and Engineering	74,200	leased
Narita, Japan	Office, plant & warehouse	Manufacturing, Research and Engineering	218,400	owned*
Tel Aviv, Israel	Office	Research and Engineering	15,000	leased

The Company also leases office space for 54 service and sales offices throughout the world: 15 offices are located in Japan, 22 offices are in the United States, 9 offices are in Europe, and 8 offices are located in the Asia-Pacific region.

The Company owns 173 acres of land in Austin, Texas. This site can accommodate approximately 1.5 million square feet of building space to help satisfy the Company's current and future needs. In fiscal 1993, the Company began volume production at a 154,000 square-foot manufacturing facility. The Company expects a second facility to be completed in the first quarter of fiscal 1995.

Management considers the above facilities suitable and adequate to meet the Company's requirements.

* Subject to loans totaling $50 million secured by property and equipment having an approximate net book value of $84 million at October 30, 1994.

ITEM 3: LEGAL PROCEEDINGS

On February 6, 1991, the Company filed a lawsuit against Advanced Semiconductor Materials America, Inc., Epsilon Technology, Inc. (doing business as ASM Epitaxy) and Advanced Semiconductor Materials International N.V. (the defendants, together, hereafter referred to as "ASM") in the United States District Court for the Northern District of California. The Company alleges that ASM has been and is currently infringing certain of the Company's patents which relate to epitaxial reactors by making and selling, among other products, the ASM Epsilon I epitaxial reactor. The Company seeks an injunction against further infringement of these patents, damages for ASM's infringement, trebling of damages for willful infringement, and reasonable attorneys' fees and costs. In October, 1992, the Company filed an additional suit against the same defendants, alleging infringement of an additional patent by the same ASM Epsilon I epitaxial reactor.

The defendants (except ASM International N.V.) have made counterclaims against the Company for declaratory judgment of invalidity, unenforceability and noninfringement of the patents in suit. The defendants also claim that the Company monopolizes and is attempting to monopolize the market for epitaxial reactor systems. The defendants seek dismissal, payment by the Company of the defendants' costs and attorneys' fees, injunctions against the Company, damages according to proof and trebling of damages.

Trial of the first lawsuit against ASM concluded in August 1993 and in April 1994, the court issued its decision. The court found that ASM infringed three of the Company's patents, one of the patents asserted against ASM was found not infringed and one was found invalid. Subsequently, the court issued an injunction against ASM's sale and use of Epsilon I epitaxial reactors in the United States, but granted a stay of the injunction pending an appeal of the court's decision. The stay order requires ASM to pay a fee, as a security for the Company's interests, for each Epsilon I sold by ASM in the United States after the date of the injunction. Proceedings to resolve the issues of damages, willful infringement, and ASM's counterclaims, which have been bifurcated for separate trial, will be stayed pending the appeal of the trial court's infringement and validity decision. Both ASM and the Company are appealing that decision. The second of the Company's lawsuits against ASM is currently set for trial in February, 1995.

On January 19, 1993, ASM served a lawsuit on the Company which alleges that the Company infringes two patents of ASM. The lawsuit was originally filed by ASM in the United States District Court for the District of Arizona in Phoenix, Arizona, but has been transferred by the court to the Northern District of California in San Jose, California. One of the patents relates to the Company's CVD product lines and the second patent to the Company's epitaxial product line. The lawsuit seeks to enjoin the Company from infringing the patents and seeks monetary damages of an unspecified amount and costs. After substantial discovery, ASM filed a voluntary stay of the proceedings with respect to one of the patents in suit. Trial of its claims on the other patent is currently set for May 1995. The Company believes it has meritorious defenses against ASM's claims.

On September 6, 1994, General Signal Corporation filed a lawsuit against the Company in the United States District Court, District of Delaware. General Signal alleges that the Company infringes five of General Signal's United States Patents by making, using, selling or offering for sale multichamber wafer fabrication equipment, including for example, the Precision 5000 series machines. General Signal seeks an injunction, multiple damages and costs, including reasonable attorneys' fees and interest, and other relief as the court may deem just and proper.

The suit is in the early stages of discovery and no date has been set

for trial. The Company believes that it has meritorious defenses against General Signal's claims.

The Company is a defendant in other litigation arising in the normal course of business. The Company believes that it is unlikely that the outcome of these lawsuits will have an adverse material effect on the Company's financial position or results of operations.

Also see "Environmental Matters" and "Patents and Licenses" under "Item 1: BUSINESS" above.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS IN FOURTH QUARTER OF FISCAL 1994

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table and notes thereto identify and set forth information about the Company's seven executive officers:

Name of Individual	Capacities in which Served
James C. Morgan (1)	Chairman of the Board of Directors and Chief Executive Officer
James W. Bagley (2)	Vice Chairman of the Board of Directors and Chief Operating Officer
Dan Maydan (3)	President of the Company and Co-Chairman of Applied Komatsu Technology, Inc.
Gerald F. Taylor (4)	Senior Vice President and Chief Financial Officer
Tetsuo Iwasaki (5)	Chairman of Applied Materials Japan, Inc. and President of Applied Komatsu Technology, Inc.
Sasson Somekh (6)	Senior Vice President
David N.K. Wang (7)	Senior Vice President

(1) Mr. Morgan, age 56, has been Chief Executive Officer since 1977 and Chairman of the Board of Directors since 1987. Mr. Morgan also served as President of the Company from 1976 to 1987.

(2) Mr. Bagley, age 55, was appointed Vice Chairman of the Board of Directors in December 1993. Mr. Bagley has been Chief Operating Officer of the Company since 1987 and served as President of the Company from 1987 to 1993. Prior to that, Mr. Bagley served as Senior Vice President of the Company since 1981.

(3) Dr. Maydan, age 59, was appointed President of the Company in December 1993. Dr. Maydan served as Executive Vice President from 1990 to 1993. Prior to that, Dr. Maydan had been Group Vice President since February 1989. Dr. Maydan joined Applied Materials in 1980 as a Director of Technology.

(4) Mr. Taylor, age 54, has been Chief Financial Officer of the Company since 1984 and Senior Vice President since 1991. Prior to that, Mr. Taylor had been Vice President of Finance since 1984.

(5) Mr. Iwasaki, age 48, has been Chairman of Applied Materials Japan, Inc. since 1991. Prior to that, Mr. Iwasaki had been President of Applied Materials Japan, Inc. since 1981. Mr. Iwasaki became President of Applied Komatsu Technology, Inc. (a 50-50 joint venture corporation with Komatsu, Ltd.) in 1993.

(6) Dr. Somekh, age 48, was appointed Senior Vice President of the Company in December 1993. Dr. Somekh served as Group Vice President from 1990

to 1993. Prior to that, Dr. Somekh had been a divisional Vice President. Dr. Somekh joined Applied Materials in 1980 as a Project Manager.

(7) Dr. Wang, age 48, was appointed Senior Vice President of the Company in December 1993. Dr. Wang served as Group Vice President from 1990 to 1993. Prior to that, Dr. Wang had been a divisional Vice President. Dr. Wang joined Applied Materials in 1980 as a Manager, Process Engineering and Applications.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

"Stock Price History" on page 47 of the Applied Materials' 1994 Annual Report is incorporated herein by reference.

The Company's common stock is traded over-the-counter. As of November 1, 1994 there were approximately 1,175 record holders of the common stock.

To date, the Company has paid no cash dividends to its stockholders. The Company has no plans to pay cash dividends in the near future.

ITEM 6: SELECTED FINANCIAL DATA

"Selected Consolidated Financial Data" on page 26 of the Applied Materials 1994 Annual Report is incorporated herein by reference.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis" on pages 27 through 30 of the Applied Materials 1994 Annual Report is incorporated herein by reference.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of Price Waterhouse LLP, independent accountants, dated November 23, 1994 and appearing in pages 31 through 47 of Applied Materials 1994 Annual Report are incorporated by reference in this Form 10-K Annual Report. With the exception of the aforementioned information and the information incorporated by reference in items 1, 5, 6, and 7, Applied Materials 1994 Annual Report is not deemed to be filed as part of this report.

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

None.

PART III

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, portions of the information required by Part III of Form 10-K are incorporated by reference from the Company's Proxy Statement to be filed with the Commission in connection with the 1995 Annual Meeting of Stockholders ("the Proxy Statement").

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Information concerning directors of the Company appears in the Company's Proxy Statement, under Item 1 "Election of Directors." This portion of the Proxy Statement is incorporated herein by reference.

(b) For information with respect to Executive Officers, see Part I of this Form 10-K.

ITEM 11: EXECUTIVE COMPENSATION

Information concerning executive compensation appears in the Company's Proxy Statement, under the caption "Executive Compensation," and is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning the security ownership of certain beneficial owners and management appears in the Company's Proxy Statement, under Item 1 "Election of Directors," and is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions appears in the Company's Proxy Statement, under Item 1 "Election of Directors," and is incorporated herein by reference.

PART IV

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

(a) The following documents are filed as part of this Form 10-K:

(1) Consolidated Financial Statements. The following consolidated financial statements of Applied Materials, Inc. and subsidiaries, and the related notes and the report of Price Waterhouse LLP, independent accountants, dated November 23, 1994, included in the Applied Materials 1994 Annual Report, are incorporated herein by reference:

Schedules not listed above have been omitted because they are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes to Consolidated Financial Statements.

(3) Exhibits - See Exhibit Index on page 29 of this report. The following exhibits listed in the exhibit index are filed with this Report.

Executive Compensation Plans and Arrangements

10.1	Not used.
10.2	The 1976 Management Stock Option Plan, as amended to October 5, 1993, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.
10.3	Applied Materials, Inc., Supplemental Income Plan, as amended, including Participation Agreements with James C. Morgan, Walter Benzing, and Robert Graham, previously filed with the Company's Form 10-K for fiscal year 1981, and incorporated herein by reference.
10.4	Amendment to Supplemental Income Plan, dated July 20, 1984, previously filed with the Company's Form 10-K for fiscal year 1984, and incorporated herein by reference.
10.5	The Applied Materials Employee Financial Assistance Plan, previously filed with the Company's definitive Proxy Statement in connection with the Annual Meeting of

Shareholders held on March 5, 1981, and incorporated herein by reference.

10.6 The 1985 Stock Option Plan for Non-Employee Directors, previously filed with the Company's Form 10-K for fiscal year 1985, and incorporated herein by reference.

10.7 Amendment 1 to the 1985 Stock Option Plan for Non-Employee Directors dated June 14, 1989, previously filed with the Company's Form 10-K for fiscal year 1989, and incorporated herein by reference.

10.8 Applied Materials, Inc. Supplemental Income Plan as amended to December 15, 1988, including participation agreement with James C. Morgan, previously filed with the Company's Form 10-K for fiscal year 1988, and incorporated herein by reference.

10.9 Not used.

10.11 The Applied Materials, Inc. Executive Deferred Compensation Plan dated July 1, 1993 and as amended on September 2, 1993, previously filed with the Company's Form 10-Q for the quarter ended August 1, 1993, and incorporated herein by reference.

10.12 Amendment dated December 9, 1992 to Applied Materials, Inc. Supplemental Income Plan dated June 4, 1981 (as amended to December 15, 1988), previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

10.13 Amendment No. 2 to Applied Materials, Inc. 1985 Stock Option Plan for Non-Employee Directors, dated September 10, 1992, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

10.14 Amendment No. 3 to Applied Materials Inc. 1985 Stock Option Plan for Non-Employee Directors, dated October 5, 1993, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

10.16 Amendment No. 4 to Applied Materials Inc. 1985 Stock Option Plan for Non-Employee Directors, dated December 8, 1993, previously filed with the Company's Form 10-Q for the quarter ended May 1, 1994, and incorporated herein by reference.

10.17 Amendment No. 2 to the Applied Materials, Inc. Executive Deferred Compensation Plan, dated May 9, 1994, previously filed with the Company's Form 10-Q for the quarter ended May 1, 1994, and incorporated herein by reference.

10.18 Applied Komatsu Technology, Inc. 1994 Executive Incentive Stock Purchase Plan, together with forms of Promissory Note, 1994 Executive Incentive Stock Purchase Agreement, and Loan and Security Agreement, previously filed with the Company's Form 10-Q for the quarter ended July 31, 1994, and incorporated herein by reference.

Other Exhibits

3.1 Certificate of Incorporation of Applied Materials, Inc., a Delaware corporation, as amended to March 14, 1989, March 24, 1993, and March 22, 1994.

3.2 Bylaws of Applied Materials, Inc., as amended to December 7, 1994.

4.1 Rights Agreement, dated as of June 14, 1989, between Applied Materials, Inc. and Bank of America NT&SA, as Rights Agent, including Form of Right Certificate and the Form of Summary of Rights to Purchase Common Stock, previously filed with the Company's report on Form 8-K dated June 14, 1989, and incorporated herein by reference.

4.2 Note Agreement dated as of March 1, 1991 between Applied Materials, Inc. and a group of seven insurance companies, including the form of 9.62% Senior Notes due April 1, 1999, previously filed with the Company's Form 10-Q for the quarter ended April 28, 1991, and incorporated herein by reference.

4.3 Stock Transfer Agency Agreement, effective September 24, 1991 and signed March 9, 1992, between Applied Materials, Inc. and Harris Trust and Savings Bank, as Stock Transfer Agent, Registrar and Rights Agent, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

4.4	Form of Indenture (including form of debt security) dated as of August 24, 1994 between Applied Materials, Inc. and Harris Trust Company of California, as Trustee, previously filed with the Company's Form 8-K on August 17, 1994, and incorporated herein by reference.
10.10	License agreement dated January 1, 1992 between the Company and Varian Associates, Inc., previously filed with the Company's Form 10-K for fiscal year 1992, and incorporated herein by reference.
10.15	Joint Venture Agreement between Applied Materials, Inc. and Komatsu Ltd. dated September 14, 1993 and exhibits thereto, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference. (Confidential treatment has been requested for certain portions of the agreement.)
10.19	Underwriting agreement between the Company and several underwriters in connection with the sale of 2,300,000 shares of the Company's common stock dated March 16, 1994.
10.20	Underwriting agreement between the Company and several underwriters, dated August 24, 1994 related to the sale by the Company of $100 million aggregate amount of 8% senior notes.
10.21	$125,000,000 Credit agreement dated as of September 8, 1994 between Applied Materials and a group of seven banks.

13.	Applied Materials 1994 Annual Report for the fiscal year ended October 30, 1994 (to the extent expressly incorporated by reference).
21.	Subsidiaries of Applied Materials, Inc.
23.	Consent of Independent Accountants.
24.	Power of Attorney.

(b) Report on Form 8-K was filed on August 17, 1994.

(c) Exhibits: The exhibits listed in Item (a)(3) above are submitted as a separate section of this report.

(d) The individual financial statements of the registrant have been omitted since the registrant is primarily an operating company and all subsidiaries are included in the consolidated financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLIED MATERIALS, INC.

By /s/James C. Morgan

James C. Morgan
Chairman of the Board and
Chief Executive Officer

Dated: December 21, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

registrant and in the capacities and on the dates indicated.

	Title	Date
/s/James C. Morgan James C. Morgan	Chairman of the Board and Chief Executive Officer	December 21, 1994
/s/Gerald F. Taylor Gerald F. Taylor	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 21, 1994
/s/Michael K. O'Farrell Michael K. O'Farrell	Corporate Controller (Principal Accounting Officer)	December 21, 1994
Directors:		
James C. Morgan	Director	December 21, 1994
James W. Bagley*	Director	
Dan Maydan*	Director	
Michael Armacost*	Director	
Herbert M. Dwight, Jr.*	Director	
George B. Farnsworth*	Director	
Philip V. Gerdine*	Director	
Tsuyoshi Kawanishi*	Director	
Paul R. Low*	Director	
Alfred J. Stein*	Director	
Hiroo Toyoda*	Director	
*By /s/James C. Morgan James C. Morgan Attorney-in-fact		December 21, 1994

A majority of the members of the Board of Directors.

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors of Applied Materials, Inc.

Our audits of the consolidated financial statements referred to in our report dated November 23, 1994 appearing on page 47 of the 1994 Annual Report of Applied Materials, Inc., (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP
- - -------------------------
Price Waterhouse LLP
San Jose, California
November 23, 1994

SCHEDULE I
MARKETABLE SECURITIES-OTHER INVESTMENTS
(In thousands)

October 30, 1994

Type of Issue(1)	Amount(2)
Municipal Bonds	$ 55,015
Dutch Auction Municipal Bonds	40,407
United States Treasury Bills and Agencies	39,996
Commercial Paper	36,202
Certificates of Deposit	33,021
Medium Term Bank Notes	28,961
Asset Backed Securities	17,940
Corporate Bonds and Others	10,463
	$262,005

(1) No individual issuer or group of issuers, as defined in Rule 12-02 of Regulation S-X, exceeds 2% of total assets.
(2) Carried at cost which approximates fair market value.

SCHEDULE II
AMOUNTS RECEIVABLE FROM OFFICERS AND EMPLOYEES
(In thousands)

	Balance at beginning of year	Additions	Collections	Balance at end of year
As of October 30, 1994				
Ashok K. Sinha	$200	$ -	$ -	$200(a)
Tetsuo Iwasaki	-	156	-	156(b)
Dan Maydan	-	186	-	186(b)
As of October 31, 1993:				
Walter J. Wriggins	$100	$ -	$100	$ -
Ashok K. Sinha	200	-	-	200(a)
As of October 25, 1992:				
James W. Bagley	$300	$ -	$300	$ -
Peter R. Hanley	80	-	80	-
Walter J. Wriggins	100	-	-	100
Ashok K. Sinha	200	-	-	200(a)

(a) Interest-free promissory note of $200 due fiscal 1995, secured by a subordinated residential deed of trust.

(b) Bearing interest at 7.16% per annum. Interest only payable annually and principal due January 31, 2004, secured by non-voting preferred stock of Applied Komatsu Technology, Inc., a 50% investee of Applied Materials, Inc.

SCHEDULE V
PROPERTY, PLANT AND EQUIPMENT
(In thousands)

	Balance at beginning of year	Additions*	Sales & retirements	Adjustments**	Balance at end of year
As of October 30, 1994					
Land	$ 22,884	$ 35,696	$ --	$ 370	$ 58,950
Building and leasehold improvements	209,584	52,846	(2,001)	6,463	266,892
Manufacturing and demonstration equipment	93,111	36,691	(17,773)	2,851	114,880
Furniture and fixtures	74,485	39,395	(4,806)	1,877	110,951
Construction in progress	49,584	21,361	(4)	(24)	70,917
Total	$449,648	$185,989	$(24,584)	$11,537	$622,590
As of October 31, 1993:					
Land	$ 14,585	$ 7,651	$ --	$ 648	$ 22,884
Building and leasehold improvements	161,969	37,604	(187)	10,198	209,584
Manufacturing and demonstration equipment	68,900	26,774	(6,310)	3,747	93,111
Furniture and fixtures	52,831	21,032	(1,068)	1,690	74,485
Construction in progress	45,836	6,292	(2,067)	(477)	49,584
Total	$344,121	$ 99,353	$ (9,632)	$15,806	$449,648
As of October 25, 1992:					
Land	$ 14,020	$ --	$ --	$ 565	$ 14,585
Building and leasehold improvements	123,202	32,910	(3,483)	9,340	161,969
Manufacturing and demonstration equipment	63,090	15,363	(12,637)	3,084	68,900
Furniture and fixtures	44,554	12,383	(5,998)	1,892	52,831
Construction in progress	40,928	5,943	(890)	(145)	45,836
Total	$285,794	$ 66,599	$(23,008)	$14,736	$344,121

* Includes transfers between accounts.
**Includes foreign currency translation adjustments.

SCHEDULE VI
ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
(In thousands)

	Balance at beginning of year	Additions	Sales & retirements	Adjustments**	Balance at end of year
As of October 30, 1994					
Building and leasehold improvements	$ 41,153	$23,710	$ (1,407)	$1,368	$ 64,824
Manufacturing and demonstration equipment	44,618	17,587	(9,326)	1,450	54,329
Furniture and fixtures	36,173	17,185	(3,559)	1,184	50,983
Total	$121,944	$58,482	$(14,292)	$4,002	$170,136
As of October 31, 1993:					
Building and leasehold improvements	$ 27,530	$12,570	$ (268)	$1,321	$ 41,153
Manufacturing and demonstration equipment	33,208	14,341	(4,607)	1,676	44,618
Furniture and fixtures	24,862	10,866	(826)	1,271	36,173
Total	$ 85,600	$37,777	$ (5,701)	$4,268	$121,944
As of October 25, 1992:					
Building and leasehold improvements	$ 20,990	$ 8,901	$ (3,386)	$1,025	$ 27,530
Manufacturing and demonstration equipment	29,915	10,748	(8,618)	1,163	33,208
Furniture and fixtures	21,658	8,093	(5,348)	459	24,862
Total	$ 72,563	$27,742	$(17,352)	$2,647	$ 85,600

** Includes foreign currency translation adjustments.

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS
ALLOWANCE FOR DOUBTFUL ACCOUNTS
(In thousands)

	Balance at beginning of year	Additions-Charged to income	Deduction-Recoveries	Balance at end of year
As of:				
October 30, 1994	$ 487	$875	$ (273)	$1,089
October 31, 1993	$1,171	$663	$(1,347)	$ 487
October 25, 1992	$1,158	$387	$ (374)	$1,171

SCHEDULE IX

SHORT-TERM BORROWINGS
BANK BORROWINGS

(In thousands)

	1994	1993	1992
Balance at end of year	$43,081	$41,645	$27,449
Weighted average interest rate at end of year	3.0%	4.1%	5.3%
Maximum amount outstanding during the year	$62,443	$50,243	$51,192
Average amount outstanding during the year *	$47,336	$40,875	$34,975
Weighted average interest rate during the year **	3.4%	5.3%	6.6%

* An average amount outstanding for each week was calculated, and an average of the averages was calculated for the year.

** Total annual interest expense related to short-term borrowings was divided by the average amount of borrowings outstanding during the year.

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SCHEDULE X

SUPPLEMENTARY INCOME STATEMENT INFORMATION
(In thousands)

	Charged to Costs and Expenses		
Item	1994	1993	1992
Maintenance and repairs	*	$11,676	$8,923

* Maintenance and repairs expense was less than 1% of revenue for the year ended October 30, 1994.

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INDEX TO EXHIBITS

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

		Page
3.1	Certificate of Incorporation of Applied Materials, Inc., a Delaware corporation, as amended to March 14, 1989, March 24, 1993, and March 22, 1994.	32
3.2	Bylaws of Applied Materials, Inc., as amended to December 7, 1994.	34
4.1	Rights Agreement, dated as of June 14, 1989, between Applied Materials, Inc. and Bank of America NT&SA, as Rights Agent, including Form of Right Certificate and the Form of Summary of Rights to Purchase Common Stock, previously filed with the Company's report on Form 8-K dated June 14, 1989, and incorporated herein by reference.	
4.2	Note Agreement dated as of March 1, 1991 between Applied Materials, Inc. and a group of seven insurance companies, including the form of 9.62% Senior Notes due April 1, 1999, previously filed with the Company's Form 10-Q for the quarter ended April 28, 1991, and incorporated herein by reference.	
4.3	Stock Transfer Agency Agreement, effective September 24, 1991 and signed March 9, 1992, between Applied Materials, Inc. and Harris Trust and Savings Bank, as Stock Transfer Agent, Registrar and Rights Agent, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.	
4.4	Form of Indenture (including form of debt security) dated as of August 24, 1994 between Applied Materials, Inc. and Harris Trust Company of California, as Trustee, previously filed with the Company's Form 8-K on August 17, 1994, and incorporated herein by reference.	
10.1	Not used.	
10.2	The 1976 Management Stock Option Plan, as amended to October 5, 1993, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.	
10.3	Applied Materials, Inc., Supplemental Income Plan, as amended, including Participation Agreements with James C. Morgan, Walter Benzing, and Robert Graham, previously filed with the Company's Form 10-K for fiscal year 1981, and incorporated herein by reference.	

		Page
10.4	Amendment to Supplemental Income Plan, dated July 20, 1984, previously filed with the Company's Form 10-K for fiscal year 1984, and incorporated herein by reference.	
10.5	The Applied Materials Employee Financial Assistance Plan, previously filed with the Company's definitive Proxy Statement in connection with the Annual Meeting of Shareholders held on March 5, 1981, and incorporated herein by reference.	
10.6	The 1985 Stock Option Plan for Non-Employee Directors, previously filed with the Company's Form 10-K for fiscal year 1985, and incorporated herein by reference.	
10.7	Amendment 1 to the 1985 Stock Option Plan for Non-Employee Directors dated June 14, 1989, previously filed with the Company's Form 10-K for fiscal year 1989, and incorporated herein by reference.	
10.8	Applied Materials, Inc. Supplemental Income Plan as amended to December 15, 1988, including participation agreement with James C. Morgan, previously filed with the Company's Form 10-K for fiscal year 1988, and incorporated herein by reference.	
10.9	Not used.	
10.10	License agreement dated January 1, 1992 between the Company and Varian Associates, Inc., previously filed with the Company's Form 10-K for fiscal year 1992, and incorporated herein by reference.	
10.11	The Applied Materials, Inc. Executive Deferred Compensation Plan dated July 1, 1993 and as amended on September 2, 1993, previously filed with the Company's Form 10-Q for the quarter ended August 1, 1993, and incorporated herein by reference.	

10.12 Amendment dated December 9, 1992 to Applied Materials, Inc. Supplemental Income Plan dated June 4, 1981 (as amended to December 15, 1988), previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

10.13 Amendment No. 2 to Applied Materials, Inc. 1985 Stock Option Plan for Non-Employee Directors, dated September 10, 1992, previously filed with the Company's Form 10-K for fiscal year 1993, and incorporated herein by reference.

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EXHIBIT 3.1

PAGE 1

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, WILLIAM T. QUILLEN; SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "APPLIED MATERIALS, INC.", FILED IN THIS OFFICE ON THE TWENTY-SECOND DAY OF MARCH, A.D. 1994, AT 1:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SEAL]

[SEAL] /s/ William T. Quillen

William T. Quillen, Secretary of State

2120849 8100 AUTHENTICATION: 7064755

944046516 DATE: 03-22-94

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APPLIED MATERIALS, INC.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

The undersigned, James C. Morgan and Donald A. Slichter, hereby certify that:

(1) They are the Chairman of the Board of Directors and Secretary, respectively, of Applied Materials, Inc., a Delaware corporation.

(2) The Certificate of Incorporation of this corporation is amended by deleting Section 1 of Article Fifth in its entirety and adding a new Section 1 of Article Fifth to such Certificate, to read as follows:

1. The corporation is authorized to issue two classes of shares to

be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is One Million (1,000,000) and the number of shares of Common Stock authorized to be issued is Two Hundred Million (200,000,000). The stock, whether Preferred Stock or Common Stock, shall have a par value of $.01 per share.

The amendment to the Certificate of Incorporation was duly adopted by the Board of Directors on December 8, 1993 and by the stockholders of the corporation on March 3, 1994, in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seal this 17th day of March 1994.

APPLIED MATERIALS, INC.

/s/ JAMES C. MORGAN

By: James C. Morgan

Attest /s/ DONALD A. SLICHTER

Donald A. Slichter

Exhibit 3.2

BYLAWS

OF

APPLIED MATERIALS, INC.
(a Delaware corporation)

(As amended to December 7, 1994)

BYLAWS OF
APPLIED MATERIALS, INC.

Table of Contents

BYLAWS

OF

APPLIED MATERIALS, INC.

ARTICLE I

OFFICES

1.1 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.

1.2 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

2.1 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.

2.2 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.

2.3 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.

2.4 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.

2.5 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 60 days in advance of the stockholder meeting or 10 days after the date on which notice of the meeting is first given to the stockholders, whichever is later. 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 60 days in advance of the stockholder meeting or 10 days after the date on which notice of the meeting is first given to the stockholders, whichever is later. 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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

3.1 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

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

3.12 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.

3.13 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.

3.14 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

4.1 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

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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.

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

4.3 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

5.1 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.

5.2 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.

5.3 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

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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.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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

6.1 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.

6.2 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

7.1 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.

7.2 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.

7.3 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.

7.4 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 uncertified shares.

7.5 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.

7.6 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.

7.7 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.

7.8 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

8.1 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.

EXHIBIT 10-19

2,000,000 SHARES

APPLIED MATERIALS, INC.

COMMON STOCK

UNDERWRITING AGREEMENT

March 16, 1994

LEHMAN BROTHERS INC.
MORGAN STANLEY & CO. INCORPORATED
ROBERTSON, STEPHENS & COMPANY
COWEN & COMPANY
NEEDHAM & COMPANY, INC.

As Managers for the several
Underwriters named in Schedule I hereto,
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Ladies and Gentlemen:

Applied Materials, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters"), for whom Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, Robertson, Stephens & Company, Cowen & Company and Needham & Company, Inc. are acting as managers (the "Managers") an aggregate of 2,000,000 shares (the "Firm Securities") of Common Stock, $0.01 par value (the "Common Stock"), of the Company. In addition, for the sole purpose of covering over-allotments in connection with the sale of the Firm Securities, the Company proposes to grant to the Underwriters an option to purchase up to an additional 300,000 shares (the "Additional Securities") of Common Stock. The Firm Securities and any Additional Securities purchased pursuant to this Underwriting Agreement are herein called the "Offered Securities." This is to confirm the agreement concerning the purchase of the Offered Securities from the Company by the Underwriters.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Offered Securities and has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission a prospectus supplement (the "Prospectus Supplement") specifically relating to the Offered Securities pursuant to Rule 424 or Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"). The term "Registration Statement" means the registration statement, including the exhibits thereto, as amended to the date of this Agreement. The term "Basic Prospectus" means the prospectus included in the Registration Statement. The term "Prospectus" means the Basic Prospectus together with the Prospectus Supplement. The term "preliminary prospectus" means a preliminary prospectus supplement specifically relating to the Offered Securities, together with the Basic Prospectus. As used herein, the terms "Registration Statement," "Basic Prospectus," "Prospectus" and "preliminary prospectus" shall include in each case the documents, if any, incorporated by reference therein. The terms "supplement," "amendment" and "amend" as used herein shall include all documents deemed to be incorporated by reference in the Prospectus that are filed subsequent to the date of the Basic Prospectus by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Company meets the requirements for the use of Form S-3 under the Securities Act. The Registration Statement has become effective; no stop order suspending the effectiveness of the

Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) Each document, if any, filed or to be filed pursuant to the Exchange Act and incorporated by reference in the Prospectus complied or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder, (ii) each part of the Registration Statement, when such part became effective, did not contain, and each such part, as amended or supplemented, if applicable, when such part is filed, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) the Registration Statement and the Prospectus comply, and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iv) the Prospectus as of its issue date does not contain and, as amended or supplemented, if applicable, as of the date of any such amendment and at the Closing Date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section 1(b) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Managers expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and as currently being conducted and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The Offered Securities have been duly authorized and, when issued in accordance with the terms of this Agreement, and duly countersigned by the Company's Transfer Agent and Registrar, will be validly issued, fully paid and nonassessable and will not be subject to any preemptive rights or similar rights to subscribe for or to purchase securities of the Company pursuant to the Company's Certificate of Incorporation or bylaws or any agreement to which the Company or any of its subsidiaries is a party or by which it may be bound.

(g) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(h) The shares of Common Stock of the Company outstanding prior to the issuance of the Offered Securities have been duly authorized and are validly issued, fully paid and nonassessable.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene, or give rise to any additional rights or remedies under, any provision of applicable law or the certificate of incorporation or bylaws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the

performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Offered Securities.

(j) There has not occurred any material adverse change, or any development which could be reasonably expected to result in a prospective material adverse change, in the condition, financial or otherwise, or in the business or operations of the Company and its subsidiaries, taken as a whole, from that described in the Prospectus.

(k) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described in all material respects (other than proceedings that would not have a material adverse effect on the Company and its subsidiaries taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement, or to consummate the transactions contemplated by the Prospectus), or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed or incorporated by reference as exhibits to the Registration Statement that are not described, filed or incorporated as required.

(l) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(m) To the best knowledge of the Company after due inquiry, the Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws which are necessary to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not reasonably be expected to, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(n) The Company has a process of conducting periodic internal reviews relating to compliance by the Company and its subsidiaries with Environmental Laws. On the basis of such reviews, except as set forth in the Prospectus, nothing has come to the attention of the Company which would lead it to believe that costs associated with compliance with Environmental Laws or liabilities arising due to noncompliance with

Environmental Laws (including, without limitation, any capital or operating expenses required for cleanup, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(o) Each of the Company and its subsidiaries owns or possesses adequate and sufficient licenses or other rights to use all patents, copyrights, trademarks, service marks, trade names, technology and know-how necessary (in any material respect) to conduct its business in the manner described in the Prospectus, except such as are not material to the business of the Company and its subsidiaries taken as a whole and except as disclosed in the Prospectus. Except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has received any notice of infringement or conflict with (and knows of no infringement or conflict with) asserted rights of others with respect to any patents, copyrights, trademarks, service marks, trade names or know-how which would reasonably be expected to result in any material adverse effect upon the Company and its subsidiaries taken as a whole.

(p) The Company has complied with all provisions of Section 517.075, Florida Statutes (Chapter 92-198, Laws of Florida).

2. Purchase and Delivery.

(a) Subject to the terms and conditions hereof and upon the basis of the representations and warranties herein set forth, the Company agrees to sell to the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase at a price of $48.25 per share, the aggregate number of Firm Securities set forth opposite such Underwriter's name in Schedule I hereto. The Underwriters agree to offer the Firm Securities to the public on the terms as set forth in the Prospectus.

(b) The Company hereby grants to the Underwriters an option to purchase from the Company, solely for the purpose of covering over-allotments in the sale of Firm Securities, all or any portion of the Additional Securities for a period of thirty (30) days from the date hereof at the purchase price per share set forth above. Additional Securities shall be purchased from the Company, severally and not jointly, for the accounts of the several Underwriters in proportion to the number of Firm Securities set forth opposite such Underwriter's name in Schedule I hereto, except that the respective purchase obligations of each Underwriter shall be adjusted by the Managers so that no Underwriter shall be obligated to purchase Additional Securities other than in 100-share quantities.

(c) Delivery of certificates for the Firm Securities, and certificates for the Additional Securities, if the option to purchase the same is exercised on or before the third Business Day (as defined in Section 10 hereof) prior to the First Closing Date, shall be made at the offices of Lehman Brothers Inc., 388 Greenwich Street, New York, New York 10013 (Cashier's Window) (or such other place as mutually may be agreed upon), at 10:00 A.M., New York City time, on the fifth full Business Day following the date of this Agreement or on such later date as shall be determined by you and the Company (the "Firm Closing Date"). Payment of the purchase price for the Firm Securities and, if the option to purchase the Additional Securities is exercised on or before the third Business Day prior to the Firm Closing Date, the Additional Securities, shall be made by the Underwriters to the Company at the offices of Wilson, Sonsini, Goodrich & Rosati, P.C., Two Palo Alto Square, Palo Alto, California 94306 (or such other place as mutually agreed upon), at 10:00 A.M., New York City time, on the Firm Closing Date.

(d) The option to purchase Additional Securities granted in Section 2(b) hereof may be exercised during the term thereof by written notice to the Company

from the Manager. Such notice shall set forth the aggregate number of Additional Securities as to which the option is being exercised and the time and date, not earlier than either the Firm Closing Date or the second Business Day after the date on which the option shall have been exercised nor later than the fifth Business Day after the date of such exercise, as determined by the Managers, when the Additional Securities are to be delivered (the "Option Closing Date"). Delivery and payment for such Additional Securities shall be made at the offices set forth above for delivery and payment of the Firm Securities. (The Firm Closing Date and the Option Closing Date are herein individually referred to as the "Closing Date" and collectively referred to as the "Closing Dates.")

(e) Delivery of certificates for the Offered Securities shall be made by or on behalf of the Company to you, for the respective accounts of the Underwriters, against payment of the respective purchase prices therefor by certified or official bank check payable in New York Clearing House funds to the order of the Company. The certificates for the Offered Securities shall be registered in such names and denominations as you shall have requested at least two full Business Days prior to the applicable Closing Date, and shall be made available for checking and packaging in New York, New York or such other location as may be designated by you at least one full Business Day prior to such Closing Date. Time shall be of the essence, and delivery of certificates for the Offered Securities at the time and place specified in this Agreement is a further condition to the obligations of each Underwriter.

3. Conditions to Closing. The several obligations of the Underwriters hereunder are subject to the following conditions:

(a) Subsequent to the execution and delivery of the Underwriting Agreement and prior to the Closing Date,

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading, in the rating accorded any of the Company's securities by any

"nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the business or operations, of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus that, in the judgment of the Managers, is material and adverse and that makes it, in the judgment of the Managers, impracticable to market the Offered Securities on the terms and in the manner contemplated in the Prospectus.

(b) The Managers shall have received on the Closing Date a certificate, dated the Closing Date and signed by the chief executive officer and chief financial officer of the Company, to the effect set forth in clause (a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or before the Closing Date.

The officers signing and delivering such certificate may rely upon the best of their knowledge as to proceedings threatened.

(c) The Managers shall have received on the Closing Date an opinion of Orrick, Herrington & Sutcliffe, counsel for the Company, dated the Closing Date, substantially to the effect set forth in Exhibit A. The opinion of Orrick, Herrington & Sutcliffe shall be rendered to the Managers at the request of the Company and shall so state therein.

(d) The Managers shall have received on the Closing Date an opinion of James J. DeLong, Director of Legal Affairs of the Company, dated the Closing Date, substantially to the effect set forth in Exhibit B.

(e) The Managers shall have received on the Closing Date an opinion of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, special counsel for the Underwriters, dated the Closing Date, covering the matters referred to in subparagraphs (ii), (iii), (viii) (but only as to the statements in the Prospectus under "Underwriting"), (x) and (xii) of Exhibit A hereto.

(f) The Managers shall have received on each of the date hereof and the Closing Date a letter, dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Managers, from Price Waterhouse, the Company's independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

4. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants as follows:

(a) To furnish the Managers, without charge, a signed copy of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and, during the period mentioned in paragraph (c) below, as many copies of the Prospectus, any documents incorporated by reference therein and any supplements and amendments thereto or to the Registration Statement as the Managers may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus with respect to the Offered Securities, to furnish to the Managers a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which the Managers reasonably objects.

(c) If, during such period after the first date of the public offering of the Offered Securities as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is

necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters, and to the dealers (whose names and addresses the Managers will furnish to the Company) to which Offered Securities may have been sold by the Managers on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Offered Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Managers shall reasonably request and to maintain such qualification for as long as the Managers shall reasonably request.

(e) To make generally available to its security holders and to the

Managers as soon as practicable an earnings statement covering a twelve month period beginning on the first day of the first full fiscal quarter after the date of this Agreement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder. If such fiscal quarter is the last fiscal quarter of the Company's fiscal year, such earnings statement shall be made available not later than 90 days after the close of the period covered thereby and in all other cases shall be made available not later than 45 days after the close of the period covered thereby.

(f) During the period beginning on the date of this Underwriting Agreement and continuing for a period of 90 days after the first date of the public offering of the Offered Securities, not to offer, sell, contract to sell or otherwise dispose of any shares of its common stock or any securities convertible into or exercisable or exchangeable for its common stock, other than (i) the Offered Securities, (ii) options to purchase common stock, stock purchase rights or shares of common stock issued upon exercise of such options or rights, granted under the Company's existing stock option and benefit plans, (iii) shares of common stock pursuant to Rights (as defined in the Prospectus) and (iv) shares of common stock issued upon exercise of warrants and options outstanding as of the date hereof, without the prior written consent of the Managers.

(g) Whether or not any sale of Offered Securities is consummated, to pay all expenses incident to the performance of its obligations under this Agreement, including: (i) the preparation and filing of the Registration Statement and the Prospectus and all amendments and supplements thereto, (ii) the preparation, issuance and delivery of the Offered Securities, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Offered Securities under securities or Blue Sky laws in accordance with the provisions of Section 4(d), including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any Blue Sky Memoranda, (v) the printing and delivery to the Underwriters in quantities as hereinabove stated of copies of the Registration Statement and all amendments thereto and of the Prospectus and any amendments or supplements thereto, and (vi) the fees and expenses, if any, incurred with respect to any filing with the National Association of Securities Dealers, Inc.

5. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Underwriter or any such controlling person in connection with investigating or defending any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not

misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Managers expressly for use therein, provided, however, that the indemnity agreement contained in this paragraph (a) with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, claim, damage or liability purchased

the Offered Securities, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Offered Securities to such person, and the Prospectus (as so amended or supplemented) would have corrected the defect giving rise to such loss, claim, damage or liability.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Managers expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto. The information set forth on the cover page of, and under the caption "Underwriting" or "Plan of Distribution" in the Prospectus, insofar as it relates to the distribution by the Underwriters of the Offered Securities, constitutes the only written information furnished by the Underwriters to the Company for use in the Prospectus.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) above, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Managers, in the case of parties indemnified pursuant to paragraph (a) above, and by the Company, in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there shall be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into in good faith more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party,

unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 5 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of such Offered Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus Supplement, bear to the aggregate public offering price of the Offered Securities. The relative fault of the Company on the one hand and of the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 5 are several in proportion to the respective number of shares of Offered Securities they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 5 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

6. Termination. This Agreement shall be subject to termination, by notice given by the Managers to the Company, if (a) after the execution and delivery of the Underwriting Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., or any other over-the-counter market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either

Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Managers, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (iv), such event, singly or together with other

such event, makes it, in the judgement of the Managers, impracticable to market the Offered Securities on the terms and in the manner contemplated in the Prospectus.

7. Defaulting Underwriters. If, on the Closing Date, any one or more of the Underwriters shall fail or refuse to purchase the Offered Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate amount of Offered Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate amount of the Offered Securities to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the amount of Offered Securities set forth opposite their respective names in Schedule I to the Underwriting Agreement bears to the aggregate amount of Offered Securities set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as the Managers may specify, to purchase the Offered Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the amount of Offered Securities that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 7 by an amount in excess of one-ninth of such amount of Offered Securities without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Offered Securities and the aggregate amount of Offered Securities with respect to which such default occurs is more than one-tenth of the aggregate amount of Offered Securities to be purchased on such date, and arrangements satisfactory to the Managers and the Company for the purchase of such Offered Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either the Managers or the Company shall have the right to postpone the Closing Date but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering of the Offered Securities.

8. Representations and Indemnities to Survive. The respective indemnity and contribution agreements and the representations, warranties and other statements of the Company, its officers and the Underwriters set forth in this Agreement will remain in full force and effect, regardless of any termination of this Agreement, any investigation made by or on behalf of any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 5 and delivery of and payment for the Offered Securities.

9. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors and controlling persons referred to in Section 5, and no other person will have any right or obligation hereunder.

10. Definition of "Business Day." For purposes of this Agreement, "Business Day" means any day on which the New York Stock Exchange, Inc. is open for trading.

11. Counterparts. The Underwriting Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

13. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Please confirm, by signing and returning to us two counterparts of this Agreement, that you are acting on behalf of yourselves and the several Underwriters and that the foregoing correctly sets forth the Agreement between the Company and the several Underwriters.

Very truly yours,

APPLIED MATERIALS, INC.

By: /s/ JAMES C. MORGAN

Authorized Signatory

Confirmed and accepted as of
the date first above mentioned

James C. Morgan
Chairman of the Board of Directors
and Chief Executive Officer

LEHMAN BROTHERS INC.
MORGAN STANLEY & CO. INCORPORATED
ROBERTSON, STEPHENS & COMPANY
COWEN & COMPANY
NEEDHAM & COMPANY, INC.

For themselves and as Managers for the several
Underwriters named in Schedule I hereto

By: Lehman Brothers Inc.

By: /s/ J. STUART FRANCIS

Authorized Representative

J. Stuart Francis
Managing Director

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SCHEDULE I

UNDERWRITING AGREEMENT DATED MARCH 16, 1994

UNDERWRITER	NUMBER OF FIRM SECURITIES TO BE PURCHASED
Lehman Brothers Inc.	700,000
Morgan Stanley & Co. Incorporated	700,000
Robertson, Stephens & Company	200,000
Cowen & Company	200,000
Needham & Company, Inc.	200,000
Total	2,000,000

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EXHIBIT A

Pursuant to Section 3(c) of the Underwriting Agreement, the Company's legal counsel, Orrick, Herrington & Sutcliffe shall furnish their opinion to the Underwriters, dated the Closing Date, to the effect that:

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the full corporate power and corporate authority to own, lease and operate its properties and conduct its business as described in the Prospectus.

(ii) The Underwriting Agreement has been duly authorized by all necessary corporate action on the part of the Company and has been duly executed and delivered by the Company.

(iii) The Offered Securities are duly authorized and will be, when duly countersigned by the Company's Transfer Agent and Registrar and upon issuance and delivery against payment therefor in accordance with the terms of the Underwriting Agreement, validly issued, fully paid and nonassessable.

(iv) There are no preemptive or, to our knowledge, other rights to subscribe for or to purchase any securities of the Company pursuant to the Company's Certificate of Incorporation, Bylaws, Credit Agreement, dated as of August 1, 1991, among Applied Materials, Inc., the bank's signatory thereto and The Chase Manhattan Bank, N.A., as agent (the "Bank Agreement"), or any agreement set forth as an exhibit to any of the documents incorporated by reference in the Prospectus.

(v) The execution, delivery and performance by the Company of the Underwriting Agreement (1) do not conflict with or violate the Company's Certificate of Incorporation or Bylaws, (2) to our knowledge, do not conflict with or violate or constitute a breach of, or constitute a default under, the Bank Agreement or any agreement set forth as an exhibit to any of the documents incorporated by reference in the Prospectus, (3) to our knowledge, do not result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company in any manner that would have a material adverse effect on the condition (financial or other), results of operations, business or business prospects

of the Company and its subsidiaries taken as a whole, and (4) do not violate applicable law.

(vi) No permit, authorization, consent, approval of or qualification with any U.S. federal or state governmental authority is required for the execution, delivery or performance by the Company of the Underwriting Agreement, except such as have been obtained under the Securities Act and such as may be required under state or other blue sky laws (on which we express no opinion) in connection with the purchase and distribution of the Offered Securities.

(vii) To our knowledge, except as set forth in the Prospectus, there is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or overtly threatened in writing against or affecting the Company which would require disclosure in the Registration Statement or the Prospectus.

(viii) The terms and provisions of the Offered Securities conform in all material respects to the description thereof contained in the Prospectus. The statements in the Prospectus under the captions "Description of Debt Securities," "Description of Capital Stock," "Underwriting" and "Plan of Distribution," and in the Registration Statement under Item 15, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein.

(ix) The Registration Statement is effective under the Securities Act and, to the best of our knowledge, no proceedings for a stop order have been instituted or are pending or threatened under the Securities Act and any required filings pursuant to Rule 424(b) have been made in accordance therewith.

(x) The Registration Statement, the Prospectus and each amendment thereof or supplement thereto (except the financial statements, schedules and other financial and statistical information contained or incorporated by reference therein as to which we express no opinion), as of their respective

effective or issue dates, complied as to form in all material respects with the requirements of the Securities Act and the rules and regulations of the Commission thereunder.

(xi) Each document filed pursuant to the Securities Exchange Act of 1934 and incorporated by reference in the Prospectus (it being understood that we have not been requested to and do not give any opinion or make any comment with respect to the financial statements, schedules and other financial and statistical information contained or incorporated by reference therein) complied when it was filed as to form in all material respects with the requirements of the Securities Exchange Act of 1934 and the rules and regulations of the Commission thereunder.

(xii) Nothing has come to such counsel's attention to cause it to believe that (1) (except for financial statements, schedules and other financial and statistical information contained therein as to which such counsel need not express any belief and except for that part of the Registration Statement that constitutes the Form T-1) the Registration Statement, at the time it became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (2) (except for financial statements, schedules and other financial and statistical information contained therein as to which such counsel need not express any belief) the Prospectus as of its issue date and as of the date

such opinion is delivered contained or contains, respectively, any untrue statement of a material fact or omitted or omits, respectively, to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(xiii) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

With respect to subparagraph (xii) above such counsel may state that their belief is based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and documents incorporated therein by reference and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

EXHIBIT B

Pursuant to Section 3(d) of the Underwriting Agreement, the Company's Director of Legal Affairs shall furnish an opinion to the Underwriters, dated the Closing Date, to the effect that:

(i) Each of the Company's Significant Subsidiaries (as such term is defined in Rule 405 under the Securities Act) (each, a "Subsidiary" and collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with full power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and as presently being conducted, and the Company and each Subsidiary is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business conducted by it or the location of the properties owned or leased by it makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the condition (financial or other), results of operations, business or business prospects of the Company and its subsidiaries taken as a whole.

(ii) To such counsel's knowledge, there are no rights to subscribe for or to purchase any securities of the Company pursuant to any agreement to which the Company or any of the Subsidiaries is a party or by which it or any of its properties is bound. To such counsel's knowledge, no holders of shares of Common Stock of the Company have registration rights with respect to such securities.

(iii) The execution and delivery by the Company of the Underwriting Agreement, and the consummation by the Company of the transactions contemplated thereby (i) do not conflict with or violate the charter documents of any Subsidiary, (ii) to such counsel's knowledge, do not result in the material breach or violation of any of the terms or provisions of, or constitute a material default under, any agreement to which the Company or any of the Subsidiaries is a party or by which it is or any of its properties is bound, and (iii) do not violate any applicable law or any judgment, order or decree of any court or any governmental agency or body having jurisdiction over the Company or any of the Subsidiaries, in each case in any manner that would have a material adverse effect on the condition (financial or other), results of operations, business or business prospects of the Company and its subsidiaries taken as a whole or that would affect the power or ability of the Company in any manner to perform its obligations under the Underwriting Agreement, or to consummate the transactions contemplated by the Prospectus.

(iv) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or, to such counsel's knowledge, threatened against or affecting the Company or any Subsidiary or any of their respective properties, other than (i)

proceedings fairly summarized in all material respects in the Prospectus, and (ii) proceedings which are not likely to have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under the Underwriting Agreement or to consummate the transactions contemplated thereby.

(v) The statements in Item 3 - Legal Proceedings of the Company's most recent Annual Report on Form 10-K and in Part II, Item 1 - Legal Proceedings of the Company's Quarterly Report for the quarter ended January 30, 1994, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents or proceedings and fairly summarize in all material respects the matters referred to therein.

(vi) To such counsel's knowledge, the Company and its subsidiaries are in compliance with all applicable Environmental Laws, have received all permits, licenses or other approvals required of them under all applicable Environmental Laws to conduct their respective businesses and are in compliance with all terms and conditions of such permits, licenses or approvals, in each case (i) except as described in or contemplated by the Prospectus and (ii) except where such noncompliance with such Environmental Laws, failure to receive such required permits, licenses or approvals or failure to comply with the

terms and conditions of such permits, licenses or approvals would not reasonably be expected to, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(vii) To such counsel's knowledge and except as described in or contemplated by the Prospectus (i) each of the Company and its subsidiaries owns or possesses adequate and sufficient licenses or other rights to use, all patents, copyrights, trademarks, service marks, trade names, technology and know-how necessary in any material respect to conduct its business as described in the Prospectus and (ii) neither the Company nor any of its subsidiaries has received any notice of infringement or conflict with (and knows of no infringement or conflict with) asserted rights of others with respect to any patents, copyrights trademarks, service marks, trade names or know-how which would reasonably be expected to result in any material adverse effect upon the Company and its subsidiaries, taken as a whole.

(viii) Such counsel does not know of any statutes, regulations, contracts, indentures, mortgages, loan agreements, leases or other documents of a character required to be described in the Registration Statement or the Prospectus, or to be filed or incorporated by reference as exhibits to the Registration Statement that are not described, filed or incorporated by reference as required by the Securities Act and the rules and regulations of the Commission thereunder.

EXHIBIT 10.20

UNDERWRITING AGREEMENT

August 24, 1994

APPLIED MATERIALS, INC.
3050 Bowers Avenue
Santa Clara, California 95054

Ladies and Gentlemen:

We (the "Manager") are acting on behalf of the underwriter or underwriters (including ourselves) named below (such underwriter or underwriters being herein called the "Underwriters"), and we understand that Applied Materials, Inc., a Delaware corporation (the "Company"), proposes to issue and sell U.S. $100,000,000 aggregate initial offering price of 8% Senior Notes Due 2004 (the "Debt Securities"). The Debt Securities are also referred to herein as the "Offered Securities". The Debt Securities will be issued pursuant to the provisions of an Indenture dated as of August 24, 1994 (the "Indenture") between the Company and Harris Trust Company of California, as Trustee (the "Trustee").

Subject to the terms and conditions set forth or incorporated by reference herein, the Company hereby agrees to sell and the Underwriters agree to purchase, severally and not jointly, the respective principal amounts of Debt Securities set forth below opposite their names at a purchase price of 98.594% of the principal amount of Debt Securities, plus accrued interest, if any, from September 1 to the date of payment and delivery:

Name	Principal Amount of Debt Securities
Morgan Stanley & Co. Incorporated	$ 33,400,000
Lehman Brothers Inc.	33,300,000
J.P. Morgan Securities Inc.	33,300,000
Total	$100,000,000

The Underwriters will pay for the Offered Securities upon delivery thereof at the offices of Wilson, Sonsini, Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California at 10:00 am. New York time on September 1, 1994, or at such other time, not later than 5:00 p.m. (New York time) on September 1, 1994, as shall be designated by the Manager. The time and date of such payment and delivery are hereinafter referred to as the Closing Date. Payment for the Offered Securities shall be made in immediately available or same day funds.

The Offered Securities shall have the terms set forth in the Prospectus dated August 17, 1994, and the Prospectus Supplement dated August 24, 1994, including the following:

TERMS OF DEBT SECURITIES

Maturity Date: September 1, 2004

Interest Rate: 8% per annum

Redemption Provisions:	None
Interest Payment Dates:	March 1 and September 1, commencing March 1, 1995 (Interest accrues from September 1, 1994)
Form and Denomination:	Global form, denominated in multiples of $1,000

All provisions contained in the document entitled Applied Materials, Inc. Underwriting Agreement Standard Provisions (Debt Securities) dated August 24, 1994, a copy of which is attached hereto, are herein incorporated by reference in their entirety and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein, except that (i) if any term defined in such document is otherwise defined herein, the definition set forth herein shall control, (ii) all references in such document to a type of security that is not an Offered Security shall not be deemed to be a part of this Agreement, and (iii) all references in such document to a type of agreement that has not been entered into in connection with the transactions contemplated hereby shall not be deemed to be a part of this Agreement.

Please confirm your agreement by having an authorized officer sign a copy of this Agreement in the space set forth below.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED
LEHMAN BROTHERS INC.
J.P. MORGAN SECURITIES INC.

Acting severally on behalf of themselves
and the several Underwriters named herein

By: MORGAN STANLEY & CO. INCORPORATED

By: /s/ RICHARD W. SWIFT

Name: Richard W. Swift
Title: Managing Director

Accepted, August 24, 1994

APPLIED MATERIALS, INC.

By: /s/ JAMES C. MORGAN

Name: James C. Morgan
Title: Chairman

APPLIED MATERIALS, INC.

UNDERWRITING AGREEMENT

STANDARD PROVISIONS
(Debt Securities)

August 24, 1994

From time to time, Applied Materials, Inc., a Delaware corporation (the "Company"), may enter into one or more underwriting agreements that provide for the sale of designated securities to the several underwriters named therein. The standard provisions set forth herein may be incorporated by reference in any such underwriting agreement (an "Underwriting Agreement"). The Underwriting Agreement, including the provisions incorporated therein by reference, is herein sometimes referred to as this Agreement. Unless otherwise defined herein, terms defined in the Underwriting Agreement are used herein as therein defined.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Offered Securities and has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission a prospectus supplement (the "Prospectus Supplement") specifically relating to the Offered Securities pursuant to Rule 424 or Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"). The term "Registration Statement" means the registration statement, including the exhibits thereto, as amended to the date of this Agreement. The term "Basic Prospectus" means the prospectus included in the Registration Statement. The term "Prospectus" means the Basic Prospectus together with the Prospectus Supplement. The term "preliminary prospectus" means a preliminary prospectus supplement specifically relating to the Offered Securities, together with the Basic Prospectus. As used herein, the terms "Registration Statement," "Basic Prospectus," "Prospectus" and "preliminary prospectus" shall include in each case the documents, if any, incorporated by reference therein. The terms "supplement," "amendment" and "amend" as used herein shall include all documents deemed to be incorporated by reference in the Prospectus that are filed subsequent to the date of the Basic Prospectus by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Company meets the requirements for the use of Form S-3 under the Securities Act. The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) Each document, if any, filed or to be filed pursuant to the Exchange Act and incorporated by reference in the Prospectus complied or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder, (ii) each part of the Registration Statement, when such part became effective, did not contain, and each such part, as amended or supplemented, if applicable, when such part is filed, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) the Registration Statement and the Prospectus comply, and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iv) the Prospectus as of its issue date does not contain and, as amended or supplemented, if applicable, as of the date of any such amendment and at the Closing Date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section 1 (b) do not apply (A) to statements or omissions in the

Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Manager expressly for use therein or (B) to that part of the Registration Statement that constitutes the Statement of Eligibility (Form T-l) under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), of the Trustee.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and as currently being conducted and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The Indenture pursuant to which the Offered Securities are to be issued has been duly qualified under the Trust Indenture Act and has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally or the effect of general principles of equity, including the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding in equity or at law.

(g) The Offered Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company enforceable in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws relating to or affecting creditors' rights generally or the effect of general principles of equity, including the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding in equity or at law.

(h) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(i) The shares of Common Stock of the Company outstanding prior to the issuance of the Offered Securities have been duly authorized and are validly issued, fully paid and nonassessable.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Indenture and the Offered Securities will not contravene, or give rise to any additional rights or remedies under, any provision of applicable law or the certificate of incorporation or bylaws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material

to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Indenture or the Offered Securities, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Offered Securities.

(k) There has not occurred any material adverse change, or any development which could be reasonably expected to result in a prospective material adverse change, in the condition, financial or otherwise, or in the business or operations of the Company and its subsidiaries, taken as a whole, from that described in the Prospectus.

(l) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described in all material respects (other than proceedings that would not have a material adverse effect on the Company and its subsidiaries taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement, the Indenture or the Offered Securities or to consummate the transactions contemplated by the Prospectus), or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed or incorporated by reference as exhibits to the Registration Statement that are not described, filed or incorporated as required.

(m) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(n) To the best knowledge of the Company after due inquiry, the Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws which are necessary to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not reasonably be expected to, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(o) The Company has a process of conducting periodic internal reviews relating to compliance by the Company and its subsidiaries with Environmental Laws. On the basis of such reviews, except as set forth in the Prospectus, nothing has come to the attention of the Company which would lead it to believe that costs associated with compliance with Environmental Laws or liabilities arising due to noncompliance with Environmental Laws (including, without limitation, any capital or operating expenses required for cleanup, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) Each of the Company and its subsidiaries owns or

possesses adequate and sufficient licenses or other rights to use all patents, copyrights, trademarks, service marks, trade names, technology and know-how necessary (in any material respect) to conduct its business in the manner described in the Prospectus, except such as are not material to the business of the Company and its subsidiaries taken as a whole and except as disclosed in the Prospectus. Except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has received any notice of infringement or conflict with (and knows of no infringement or conflict with) asserted rights of others with respect to any patents, copyrights, trademarks, service marks, trade names or know-how which would reasonably be expected to result in any material adverse effect upon the Company and its subsidiaries taken as a whole.

(q) The Company has complied with all provisions of Section 517.075, Florida Statutes (Chapter 92-198, Laws of Florida).

2. Public Offering. The Company is advised by the Manager that the Underwriters propose to make a public offering of their respective portions of the Offered Securities as soon after this Agreement has been entered into as in the Manager's judgment is advisable. The terms of the public offering of the Offered Securities are set forth in the Prospectus.

3. Purchase and Delivery. Payment for the Offered Securities shall be made by certified or official bank check or checks payable to the order of the Company in funds as are set forth in, and at the time and place set forth in, the Underwriting Agreement, upon delivery to the Manager for the respective accounts of the several Underwriters of the Offered Securities, registered in such names and in such denominations as the Manager shall request in writing not less than two full business days prior to the date of delivery, with any transfer taxes payable in connection with the transfer of the Offered Securities to the Underwriters duly paid.

4. Conditions to Closing. The several obligations of the Underwriters hereunder are subject to the following conditions:

(a) Subsequent to the execution and delivery of the Underwriting Agreement and prior to the Closing Date,

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g) (2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the business or operations, of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus that, in the judgment of the Manager, is material and adverse and that makes it, in the judgment of the Manager, impracticable to market the Offered Securities on the terms and in the manner contemplated in the Prospectus.

(b) The Manager shall have received on the Closing Date a certificate, dated the Closing Date and signed by the chief executive officer and chief financial officer of the Company, to the effect set forth in clause (a) (i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or before the Closing Date.

The officers signing and delivering such certificate may rely

upon the best of their knowledge as to proceedings threatened.

(c) The Manager shall have received on the Closing Date an opinion of Orrick, Herrington & Sutcliffe, counsel for the Company, dated the Closing Date, substantially to the effect set forth in Exhibit A. The opinion of Orrick, Herrington & Sutcliffe shall be rendered to the Manager at the request of the Company and shall so state therein.

(d) The Manager shall have received on the Closing Date an opinion of James J. DeLong, Director of Legal Affairs of the Company, dated the Closing Date, substantially to the effect set forth in Exhibit B.

(e) The Manager shall have received on the Closing Date an opinion of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, special counsel for the Underwriters, dated the Closing Date, covering the matters referred to in subparagraphs (ii), (iii), (v), (ix) (but only as to the statements in the Prospectus Supplement under "Description of the Senior Notes" and "Underwriters" and in the Prospectus under "Description of Debt Securities" and "Plan of Distribution"), (xii) and (xiii) of Exhibit A hereto.

(f) The Manager shall have received on each of the date hereof and the Closing Date a letter, dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Manager, from Price Waterhouse, the Company's independent public accountants, containing statements and information of the type

ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

5. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants as follows:

(a) To furnish the Manager, without charge, a signed copy of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and, during the period mentioned in paragraph (c) below, as many copies of the Prospectus, any documents incorporated by reference therein and any supplements and amendments thereto or to the Registration Statement as the Manager may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus with respect to the Offered Securities, to furnish to the Manager a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which the Manager reasonably objects.

(c) If, during such period after the first date of the public offering of the Offered Securities as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters, and to the dealers (whose names and addresses the Manager will furnish to the Company) to which Offered Securities may have been sold by the Manager on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the

Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Offered Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Manager shall reasonably request and to maintain such qualification for as long as the Manager shall reasonably request.

(e) To make generally available to its security holders and to the Manager as soon as practicable an earnings statement covering a twelve month period beginning on the first day of the first full fiscal quarter after the date of this Agreement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder. If such fiscal quarter is the last fiscal quarter of the Company's fiscal year, such earnings statement shall be made available not later than 90 days after the close of the period covered thereby and in all other cases shall be made available not later than 45 days after the close of the period covered thereby.

(f) During the period beginning on the date of this Underwriting Agreement and continuing for a period through the Closing Date, not to offer, sell, contract to sell or otherwise dispose of any debt securities which are substantially similar to the Offered Securities other than the Offered Securities without the prior written consent of the Manager.

(g) Whether or not any sale of Offered Securities is consummated, to pay all expenses incident to the performance of its obligations under this Agreement, including: (i) the preparation and filing of the Registration Statement and the Prospectus and all amendments and supplements thereto, (ii) the preparation, issuance and delivery of the Offered Securities, (iii) the fees and disbursements of the Company's counsel and accountants and of the Trustee and its counsel, (iv) the qualification of the Offered Securities under securities or Blue Sky laws in accordance with the provisions of Section 5(d), including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any Blue Sky or Legal Investment Memoranda, (v) the

printing and delivery to the Underwriters in quantities as hereinabove stated of copies of the Registration Statement and all amendments thereto and of the Prospectus and any amendments or supplements thereto, (vi) any fees charged by rating agencies for the rating of the Offered Securities, and (vii) the fees and expenses, if any, incurred with respect to any filing with the National Association of Securities Dealers, Inc.

6. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Underwriter or any such controlling person in connection with investigating or defending any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based

upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Manager expressly for use therein, or the Statement of Eligibility and Qualification (Form T-l) under the Trust Indenture Act of the Trustees; provided, however, that the indemnity agreement contained in this paragraph (a) with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, claim, damage or liability purchased the Offered Securities, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Offered Securities to such person, and the Prospectus (as so amended or supplemented) would have corrected the defect giving rise to such loss, claim, damage or liability.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Manager expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto. The information set forth on the cover page of, and under the caption "Underwriters" or "Plan of Distribution" in the Prospectus, insofar as it relates to the distribution by the Underwriters of the Offered Securities, constitutes the only written information furnished by the Underwriters to the Company for use in the Prospectus.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) above, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and

expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Manager, in the case of parties indemnified pursuant to paragraph (a) above, and by the Company, in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there shall be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an

indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into in good faith more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 6 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of such Offered Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus Supplement, bear to the aggregate public offering price of the Offered Securities. The relative fault of the Company on the one hand and of the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective principal amounts of Offered Securities they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent

misrepresentation. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

7. Termination. This Agreement shall be subject to termination, by notice given by the Manager to the Company, if (a) after the execution and delivery of the Underwriting Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., or any other over-the-counter market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Manager, is material and adverse and (b) in the case of any of the events specified in clauses (a) (i) through (iv), such event, singly or together with other such event, makes it, in the judgement of the Manager, impracticable to market the Offered Securities on the terms and in the manner contemplated in the Prospectus.

8. Defaulting Underwriters. If, on the Closing Date, any one or more of the Underwriters shall fail or refuse to purchase the Offered Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate amount of Offered Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one- tenth of the aggregate amount of the Offered Securities to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the amount of Offered Securities set forth opposite their respective names in the Underwriting Agreement bears to the aggregate amount of Offered Securities set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as the Manager may specify, to purchase the Offered Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the amount of Offered Securities that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 8 by an amount in excess of one-ninth of such amount of Offered Securities without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Offered Securities and the aggregate amount of Offered Securities with respect to which such default occurs is more than one-tenth of the aggregate amount of Offered Securities to be purchased on such date, and arrangements satisfactory to the Manager and the Company for the purchase of such Offered Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either the Manager or the Company shall have the right to postpone the Closing Date but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering of the Offered Securities.

9. Representations and Indemnities to Survive. The respective indemnity and contribution agreements and the representations, warranties and other statements of the Company, its officers and the Underwriters set forth in this Agreement will remain in full force and effect, regardless of any termination of this Agreement, any investigation made by or on behalf of any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 6 and delivery of and payment for the Offered Securities.

10. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors and controlling persons referred to in Section 6, and no other person will have any right or obligation hereunder.

11. Counterparts. The Underwriting Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

13. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

EXHIBIT A

Pursuant to Section 4(c) of the Underwriting Agreement, the Company's legal counsel, Orrick, Herrington & Sutcliffe shall furnish their opinion to the Underwriters, dated the Closing Date, to the effect that:

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the full corporate power and corporate authority to own, lease and operate its properties and conduct its business as described in the Prospectus.

(ii) The Underwriting Agreement has been duly authorized by all necessary corporate action on the part of the Company and has been duly executed and delivered by the Company.

(iii) The Offered Securities have been duly authorized by all necessary corporate action on the part of the Company and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for in accordance with the terms of the Underwriting Agreement will be (x) entitled to the benefits of the Indenture and (y) valid and binding agreements of the Company enforceable against the Company in accordance with their terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and (b) the enforceability thereof may be limited by general principles of equity and the unavailability of specific performance or injunctive relief.

(iv) There are no preemptive or, to our knowledge, other rights to subscribe for or to purchase any securities of the Company pursuant to the Company's Certificate of Incorporation, Bylaws, Credit Agreement, dated as of August 1, 1991, among Applied Materials, Inc., the bank's signatory thereto and

The Chase Manhattan Bank, N.A., as agent, as amended August 1, 1994 (the "Bank Agreement"), or any agreement set forth as an exhibit to any of the documents incorporated by reference in the Prospectus.

(v) The Indenture has been duly authorized by all necessary corporate action on the part of the Company and has been executed and delivered by the Company. The Indenture is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and (b) the enforceability thereof may be limited by general principles of equity and the unavailability of specific performance or injunctive relief. The Indenture is qualified under the Trust Indenture Act.

(vi) The execution, delivery and performance by the Company of the Underwriting Agreement, The Indenture and the Offered Securities (1) do not conflict with or violate the Company's Certificate of Incorporation or Bylaws, (2) to our knowledge, do not conflict with or violate or constitute a breach of, or constitute a default under, the Bank Agreement or any agreement set forth as an exhibit to any of the documents incorporated by reference in the Prospectus, (3) to our knowledge, do not result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company in any manner that would have a material adverse effect on the condition (financial or other), results of operations, business or business prospects of the Company and its subsidiaries taken as a whole, and (4) do not violate applicable law.

(vii) No permit, authorization, consent, approval of or qualification with any U.S. federal or state governmental authority is required for the execution, delivery or performance by the Company of the Underwriting Agreement, the Indenture or the Offered Securities, except such as have been obtained under the Securities Act and the Trust Indenture Act and such as may be required under state or other blue sky laws (on which we express no opinion) in connection with the purchase and distribution of the Offered Securities.

(viii) To our knowledge, except as set forth in the Prospectus, there is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or overtly threatened in writing against or affecting the Company which would require disclosure in the Registration Statement or the Prospectus.

(ix) The terms and provisions of the Offered Securities conform in all material respects to the description thereof contained in the Prospectus. The statements in the Prospectus under the caption "Description of Debt Securities", "Description of Capital Stock", and "Plan of Distribution," and in the Registration Statement under Item 15, and in the Prospectus Supplement under the captions "Description of Senior Notes" and "Underwriters" insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein.

(x) The Registration Statement is effective under the Securities Act and, to the best of our knowledge, no proceedings for a stop order have been instituted or are pending or threatened under the Securities Act and any required filings pursuant to Rule 424(b) have been made in accordance therewith.

(xi) The Registration Statement, the Prospectus and each amendment thereof or supplement thereto (except the financial statements, schedules and

other financial and statistical information contained or incorporated by reference therein and the Form T- 1, as to which we express no opinion), as of their respective effective or issue dates, complied as to form in all material respects with the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder.

(xii) Each document filed pursuant to the Securities Exchange Act of 1934 and incorporated by reference in the Prospectus (it being understood that we have not been requested to and do not give any opinion or make any comment with respect to the financial statements, schedules and other financial and statistical information contained or incorporated by reference therein) complied when it was filed as to form in all material respects with the requirements of the Securities Exchange Act of 1934 and the rules and regulations of the Commission thereunder.

(xiii) Nothing has come to such counsel's attention to cause it to believe that (1) (except for financial statements, schedules and other financial and statistical information contained therein as to which such counsel need not express any belief and except for that part of the Registration Statement that constitutes the Form T-1) the Registration Statement, at the time it became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (2) (except for financial statements, schedules and other financial and statistical information contained therein as to which such counsel need not express any belief) the Prospectus as of its issue date and as of the date such opinion is delivered contained or contains, respectively, any untrue statement of a material fact or omitted or omits, respectively, to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(xiv) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

With respect to subparagraph (xiii) above such counsel may state that their belief is based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and documents incorporated therein by reference and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

EXHIBIT B

Pursuant to Section 4(d) of the Underwriting Agreement, the Company's Director of Legal Affairs shall furnish an opinion to the Underwriters, dated the Closing Date, to the effect that:

(i) Each of the Company's Significant Subsidiaries (as such term is defined in Rule 405 under the Securities Act) and each other subsidiary listed on Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended October 31, 1993 (each, a "Subsidiary" and collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with full power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and as presently being conducted, and the Company and each Subsidiary is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business conducted by it or the location of the properties owned or leased by it makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the condition (financial or other), results of operations, business or business prospects of the Company and its subsidiaries taken as a whole.

(ii) To such counsel's knowledge, there are no rights to subscribe for or to purchase any securities of the Company pursuant to any agreement to which the Company or any of the Subsidiaries is a party or by which it or any of its properties is bound. To such counsel's knowledge, no holders of shares of Common Stock of the Company have registration rights with respect to such securities.

(iii) The execution and delivery by the Company of the Underwriting Agreement, the Indenture or the Offered Securities and the consummation by the Company of the transactions contemplated thereby (i) do not conflict with or violate the charter documents of any Subsidiary, (ii) to such counsel's knowledge, do not result in the material breach or violation of any of the terms or provisions of, or constitute a material default under, any agreement to which the Company or any of the Subsidiaries is a party or by which it is or any of its properties is bound, and (iii) do not violate any applicable law or any judgment, order or decree of any court or any governmental agency or body having jurisdiction over the Company or any of the Subsidiaries, in each case in any manner that would have a material adverse effect on the condition (financial or other), results of operations, business or business prospects of the Company and its subsidiaries taken as a whole or that would affect the power or ability of the Company in any manner to perform its obligations under the Underwriting Agreement, the Indenture or the Offered Securities or to consummate the transactions contemplated by the Prospectus.

(iv) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or, to such counsel's knowledge, threatened against or affecting the Company or any Subsidiary or any of their respective properties, other than (i) proceedings fairly summarized in all material respects in the Prospectus, and (ii) proceedings which are not likely to have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under the Underwriting Agreement, the Indenture or the Offered Securities or to consummate the transactions contemplated thereby.

(v) The statements in Item 3 - Legal Proceedings of the Company's most recent Annual Report on Form 10-K and in Part II, Item 1 - Legal Proceedings of the Company's Quarterly Reports for the quarters ended January 30 and May 1, 1994, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents or proceedings and fairly summarize in all material respects the matters referred to therein.

(vi) To such counsel's knowledge, the Company and its subsidiaries are in compliance with all applicable Environmental Laws, have received all permits, licenses or other approvals required of them under all applicable Environmental Laws to conduct their respective businesses and are in compliance with all terms and conditions of such permits, licenses or approvals, in each case (i) except as described in or contemplated by the Prospectus and (ii) except

where such noncompliance with such Environmental Laws, failure to receive such required permits, licenses or approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not reasonably be expected to, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(vii) To such counsel's knowledge and except as described in or contemplated by the Prospectus, (i) each of the Company and its subsidiaries owns or possesses adequate and sufficient licenses or other rights to use, all

patents, copyrights, trademarks, service marks, trade names, technology and know-how necessary in any material respect to conduct its business as described in the Prospectus and (ii) neither the Company nor any of its subsidiaries has received any notice of infringement or conflict with (and knows of no infringement or conflict with) asserted rights of others with respect to any patents, copyrights, trademarks, service marks, trade names or know-how which would reasonably be expected to result in any material adverse effect upon the Company and its subsidiaries, taken as a whole.

(viii) Such counsel does not know of any statutes, regulations, contracts, indentures, mortgages, loan agreements, leases or other documents of a character required to be described in the Registration Statement or the Prospectus, or to be filed or incorporated by reference as exhibits to the Registration Statement that are not described, filed or incorporated by reference as required by the Securities Act and the rules and regulations of the Commission thereunder.

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EXHIBIT 10.21
[CONFORMED COPY]

$125,000,000

CREDIT AGREEMENT

dated as of

September 8, 1994

among

Applied Materials, Inc.

The Banks Party Hereto

and

Morgan Guaranty Trust Company of New York,
as Agent

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TABLE OF CONTENTS*

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*The Table of Contents is not a part of this Agreement.

CREDIT AGREEMENT

AGREEMENT dated as of September 8, 1994 among APPLIED MATERIALS, INC., the BANKS party hereto and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"Adjusted CD Rate" has the meaning set forth in Section 2.07(b).

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Company) duly completed by such Bank.

"Affiliate" means any Person (other than a Restricted Subsidiary) (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (ii) which beneficially owns or holds 10% or more of any class of the Voting Stock of the Company or (iii) 10% or more of the Voting Stock (or in the case of a Person which is not a corporation, 10% or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

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"Agent" means Morgan Guaranty Trust Company of New York in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"AMJ" means Applied Materials Japan, Inc., a corporation organized under the laws of Japan.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Assessment Rate" has the meaning set forth in Section 2.07(b).

"Assignee" has the meaning set forth in Section 9.06(c).

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means a Committed Loan made or to be made by a Bank as a Base Rate Loan in accordance with the applicable Notice of Committed Borrowing or pursuant to Article VIII.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrowing" has the meaning set forth in Section 1.02.

"Capitalized Lease" means any lease the obligation for Rentals with respect to which is required to be capitalized on a consolidated balance sheet of the lessee and its subsidiaries in accordance with GAAP.

"Capitalized Rentals" of any Person means at any date the amount at which the aggregate Rentals due and to become due under all Capitalized Leases under which such

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Person is a lessee would be reflected as a liability on a consolidated balance sheet of such Person.

"CD Base Rate" has the meaning set forth in Section 2.07(b).

"CD Loan" means a Committed Loan made or to be made by a Bank as a CD Loan in accordance with the applicable Notice of Committed Borrowing.

"CD Margin" has the meaning set forth in Section 2.07(b).

"CD Reference Banks" means Bank of America National Trust and Savings Association, Banque Nationale de Paris and Morgan Guaranty Trust Company of New York.

"Closing Date" means the date on or after the Effective Date on which the Agent shall have received the documents specified in or pursuant to Section 3.01.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the signature pages hereof (or, in the case of an Assignee, the portion of the transferor Bank's Commitment assigned to such Assignee pursuant to Section 9.06(c)), in each case as such amount may be reduced from time to time pursuant to Section 2.09 or changed as a result of an assignment pursuant to Section 9.06(c).

"Committed Loan" means a loan made by a Bank pursuant to Section 2.01.

"Company" means Applied Materials, Inc., a Delaware corporation, and its successors.

"Company's 1993 Form 10-K" means the Company's annual report on Form 10-K for 1993, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Company's Latest Form 10-Q" means the Company's quarterly report on Form 10-Q for the quarter ended May 1, 1994, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Consolidated Current Liabilities" means at any date such liabilities of the Company and its Relevant Subsidiaries on a consolidated basis as shall be determined in accordance with GAAP to constitute current liabilities.

"Consolidated Debt" means all Debt of the Company and its Relevant Subsidiaries, determined on a consolidated basis eliminating intercompany items; provided that Debt of the Company to its Relevant Subsidiaries with a maturity of more than 180 days shall be included in the calculation of Consolidated Debt.

"Consolidated Net Income" for any period means the net income of the Company and its Relevant Subsidiaries for such period, determined in accordance with GAAP on a consolidated basis after eliminating earnings or losses attributable to outstanding Minority Interests.

"Consolidated Net Tangible Assets" means at any date the total amount of all Tangible Assets of the Company and its Relevant Subsidiaries after deducting therefrom all liabilities which in accordance with GAAP would be included on their consolidated balance sheet, except Consolidated Debt.

"Consolidated Quick Assets" means the Quick Assets of the Company and its Relevant Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would, in accordance with GAAP, be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"Consolidated Tangible Net Worth" means at any date total stockholders' equity as indicated in the most recent quarterly or annual consolidated financial statements of the Company and its Relevant Subsidiaries less Intangible Assets.

"Consolidated Total Assets" means at any date the total assets of the Company and its Relevant Subsidiaries on a consolidated basis determined in accordance with GAAP.

"Debt" of any Person means at any date:

(i) all Indebtedness of such Person (a) for borrowed money or (b) evidenced by notes, bonds, debentures or similar evidences of indebtedness of such Person;

(ii) obligations secured by any Lien upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligation including, without limitation,

obligations secured by Liens arising from the sale or transfer of notes or accounts receivable, other than Liens on notes or accounts receivable sold or transferred in a transaction which is accounted for as a true sale under GAAP;

(iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of property including, without limitation, obligations secured by Liens arising from the sale or transfer of notes or accounts receivable other than precautionary Liens filed or recorded in connection with any such sale or transfer of such notes or accounts receivable (a) which is accounted for as a true sale under GAAP and (b) except for such precautionary Liens filed or recorded in connection with any such sales or transfers by AMJ, pursuant to which there is no recourse (other than recourse for breach of customary representations and warranties) to the seller of such notes or accounts receivable (as evidenced by there being no accounting reserve taken or required to be taken in respect of any possible liability relating to such sale or transfer and, in the event such reserve is taken or required to be taken, the amount of Debt shall be deemed to be the amount of such reserve), but, in all events, excluding trade payables and accrued expenses constituting current liabilities;

(iv) Capitalized Rentals;

(v) reimbursement obligations in respect of credit enhancement instruments which are, in substance, financial guarantees of the obligations of Persons other than the Company or its Relevant Subsidiaries;

(vi) reimbursement obligations in respect of credit enhancement instruments, which reimbursement obligations are then due and payable;

(vii) obligations of such Person representing the deferred and unpaid purchase price of any property or business or services, excluding trade payables and accrued expenses constituting current liabilities; and

(viii) Guarantees of obligations of others of the character referred to hereinabove in this definition.

The Company's obligations under the Lease Agreements shall be excluded from this definition until December 31, 1995; provided that no such exclusion shall be made if and to the extent that GAAP would require such obligations to be classified as debt for borrowed money.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Company and the Agent; provided that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.07(b).

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.09.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions,

regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or

land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"Equity Affiliate" means any Person in which the Company or any of its Consolidated Subsidiaries holds an equity investment that is accounted for under the equity method.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Affiliate" means any member of the ERISA Group.

"ERISA Group" means the Company, any Restricted Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Restricted Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Company and the Agent.

"Euro-Dollar Loan" means a Committed Loan made or to be made by a Bank as a Euro-Dollar Loan in accordance with the applicable Notice of Committed Borrowing.

"Euro-Dollar Margin" has the meaning set forth in Section 2.07(c).

"Euro-Dollar Reference Banks" means the principal London offices of Bank of America National Trust and Savings Association, Banque Nationale de Paris and Morgan Guaranty Trust Company of New York.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.07(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Agent.

"Fixed Rate Loans" means CD Loans or Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01(a)) or any combination of the foregoing.

"GAAP" means at any time generally accepted accounting principles as then in effect, applied on a basis consistent (except for changes concurred in by the Company's independent public accountants) with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks; provided that, if the Company notifies the Agent that the Company wishes to amend any covenant in Article V or any definition of a term used in any such covenant to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Company that the Required Banks wish to amend any such covenant or definition for such purpose), then, for purposes of such covenant or definition only, "GAAP" shall mean GAAP as in effect immediately before the relevant change in

generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant or definition is amended in a manner satisfactory to the Company and the Required Banks.

"Guarantees" by any Person means all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, (y) to maintain working capital or other balance sheet condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of such Indebtedness or obligation, or (iv) otherwise to assure the owner of such Indebtedness or obligation of the primary obligor against loss in respect thereof. For purposes of all computations made under this Agreement, a Guarantee in respect of any Indebtedness for borrowed money shall be deemed to be Indebtedness equal to the principal amount of such Indebtedness for borrowed money to the extent guaranteed, and a Guarantee in respect of any other obligation or liability or any dividend shall be deemed to be Indebtedness equal to the maximum aggregate amount of such obligation, liability or dividend to the extent guaranteed. The Company's obligations under the Lease Agreements shall be excluded from this definition until December 31, 1995; provided that no such exclusion shall be made if and to the extent that GAAP would require such obligations to be classified as a guarantee.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Indebtedness" of any Person means and includes all obligations of such Person which in accordance with GAAP shall be classified upon a balance sheet of such Person as liabilities of such Person.

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"Indemnitee" has the meaning set forth in Section 9.03(b).

"Insurance Company Note Agreements" means the separate Note Agreements, each dated as of March 1, 1991, between the Company and various institutions, relating to the issuance and sale by the Company of its 9.62% Senior Notes due April 1, 1999.

"Intangible Assets" means at any date the total amount of all assets of the Company and its Relevant Subsidiaries that are properly classified as "intangible assets" in accordance with GAAP and, in any event, shall include, without limitation, goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expense, organization expense, unamortized debt discount and expense, and deferred charges other than prepaid insurance and prepaid taxes and current deferred taxes which are classified on the balance sheet of the Company and its Relevant Subsidiaries as a current asset in accordance with GAAP and in which classification the Company's independent public accountants concur; provided that the foregoing Intangible Assets shall be deemed to be in an amount equal to zero at all times during which such Intangible Assets, in the aggregate, are less than 2% of stockholders' equity of the Company.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, two, three or six months thereafter, as the Company may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

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(2) with respect to each CD Borrowing, the period commencing on the date of such Borrowing and ending 30, 60, 90 or 180 days thereafter, as the Company may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(3) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next

succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(4) with respect to each Money Market LIBOR Borrowing, the period commencing on the date of such Borrowing and ending such whole number of months thereafter as the Company may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

(5) with respect to each Money Market Absolute Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but not less than 30 days) as the Company may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Lease Agreements" means the Lease Agreement (Phase 1), Lease Agreement (Phase 2), Purchase Agreement (Phase 1) and Purchase Agreement (Phase 2), each dated as of February 10, 1993 and each between the Company and BNP Leasing Corporation.

"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"Lien" means any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease (other than an operating lease), consignment, bailment or transfer for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting property. For the purposes of this Agreement, the Company or a Restricted Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale

agreement, Capitalized Lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes and such retention or vesting shall constitute a Lien. The Company's obligations under the Lease Agreements shall be excluded from this definition until December 31,

1995; provided that no such exclusion shall be made if and to the extent that GAAP would require such obligations to be classified as a lien.

"Loan" means a Domestic Loan or a Euro-Dollar Loan or a Money Market Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or Money Market Loans or any combination of the foregoing.

"London Interbank Offered Rate" has the meaning set forth in Section 2.07(c).

"Long-Term Lease" means any lease of real or personal property (other than a Capitalized Lease) having a remaining term, including any period for which the lease may be renewed or extended at the option of the lessee, of more than three years.

"Material Adverse Effect" means a material adverse effect on the properties, business, prospects, profits or condition (financial or otherwise) of the Company or of the Company and its Restricted Subsidiaries taken as a whole.

"Material Debt" means Debt (other than the Notes) of the Company and/or one or more of its Restricted Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $10,000,000.

"Material Financial Obligations" means a principal or face amount of Debt and/or payment obligations (calculated after giving effect to any applicable netting agreements) in respect of Derivatives Obligations of the Company and/or one or more of its Restricted Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $20,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $10,000,000.

"Minority Interests" means any shares of stock of any class of a Relevant Subsidiary (other than directors' qualifying shares as required by law) that are not owned by the Company and/or one or more of its Relevant Subsidiaries.

"Money Market Absolute Rate" has the meaning set forth in Section 2.03(d).

"Money Market Absolute Rate Loan" means a loan made or to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to

the Company and the Agent; provided that any Bank may from time to time by notice to the Company and the Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Loan" means a loan made or to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.01(a)).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.03(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.03.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Notes" means promissory notes of the Company, substantially in the form of Exhibit A hereto, evidencing the obligation of the Company to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Committed Borrowing (as defined in Section 2.02) or a Notice of Money Market Borrowing (as defined in Section 2.03(f)).

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pricing Schedule" means the Pricing Schedule attached hereto.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as

its Prime Rate.

"Quick Assets" means the sum of (a) cash on hand or on deposit in banks; (b) readily marketable securities maturing within one year and issued by the United States of America or any agency thereof; (c) certificates of deposit or banker's acceptances maturing within one year and issued by commercial banks operating in the United States of America having capital and surplus in excess of $500,000,000; (d) accounts receivable of the Company and its Relevant Subsidiaries (determined on a consolidated basis) and (e) other short-term investments made by the Company in accordance with its cash and marketable securities investment policy.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Refunding Borrowing" means a Committed Borrowing which, after application of the proceeds thereof, results in

no net increase in the outstanding principal amount of Committed Loans made by any Bank.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Relevant Subsidiaries" means all Consolidated Subsidiaries, provided that, if at any time the Company is required to deliver consolidated financial statements of the Company and its Restricted Subsidiaries ("Restricted Group Financials") to the Banks pursuant to Section 5.01(h), the term "Relevant Subsidiaries" shall mean the Restricted Subsidiaries at all times from and including the date of such Restricted Group Financials, to but excluding the first date thereafter as of which the Company is required to deliver financial statements, but not Restricted Group Financials, pursuant to Section 5.01.

"Rentals" means and includes at any date all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Relevant Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Company or a Relevant Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Reportable Event" means any "reportable event" as defined in section 4043 of ERISA for which the 30-day notice requirement has not been waived under applicable regulations.

"Required Banks" means at any time Banks having at least 60% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least 60% of the aggregate unpaid principal amount of the Loans.

"Restricted Subsidiary" means (i) any Subsidiary designated as a Restricted Subsidiary in Exhibit I hereto, and (ii) any other Subsidiary designated as a Restricted Subsidiary pursuant to and in accordance with the provisions of Section 5.06.

"Security" has the meaning for such term set forth in Section 2(1) of the Securities Act of 1933, as amended.

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Company.

"Tangible Assets" means at any date Consolidated Total Assets (less depreciation, depletion and other properly deductible valuation reserves) after deducting (but without duplication) Intangible Assets.

"Termination Date" means September 7, 1998, or, if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Unrestricted Subsidiary" means (i) any Subsidiary designated as an Unrestricted Subsidiary in Exhibit I hereto and (ii) any other Subsidiary designated as an Unrestricted Subsidiary pursuant to and in accordance with the provisions of Section 5.06.

"Voting Stock" means Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"Wholly-Owned Restricted Subsidiary" means any Restricted Subsidiary all of the shares of capital stock or

other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Company.

SECTION 1.02. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Company pursuant to Article II on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article II under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.01 in which all Banks participate in proportion to their Commitments, while a "Money Market

Borrowing" is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids in accordance therewith).

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Company pursuant to this Section 2.01 from time to time during the period from and including the Closing Date to but excluding the Termination Date; provided that the aggregate principal amount of Committed Loans by such Bank at any one time outstanding shall not exceed the amount of its Commitment. Each Borrowing under this Section 2.01 shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.02(c)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Company may borrow under this Section 2.01, repay, or to the extent permitted by Section 2.11, prepay Loans and reborrow at any time prior to the Termination Date under this Section 2.01.

SECTION 2.02. Notice of Committed Borrowing. The Company shall give the Agent notice (a "Notice of Committed Borrowing") not later than (x) 12:00 Noon (New York City time) on the date of each Base Rate Borrowing, (y) 1:00 P.M. (New York City time) on the second Domestic Business Day before each CD Borrowing and (z) 1:00 P.M. (New York City

time) on the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) whether the Loans comprising such Borrowing are to be CD Loans, Base Rate Loans or Euro-Dollar Loans, and

(d) in the case of a Fixed Rate Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Such notice may be given by facsimile transmission (or by telephone promptly confirmed by facsimile transmission).

SECTION 2.03. Money Market Borrowings.

(a) The Money Market Option. In addition to Committed Borrowings pursuant to Section 2.01, the Company may, as set forth in this Section, request the Banks to make offers to make Money Market Loans to the Company from time to time during the period from and including the Closing Date to but excluding the Termination Date; provided that the Company may not request any such offer at a time when Level IV Pricing (as defined in the Pricing Schedule) applies. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Money Market Quote Request. When the Company wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Agent by facsimile transmission (or by telephone promptly confirmed by facsimile transmission) a Money Market Quote Request substantially in the form of Exhibit B hereto so as to be received no later than (x) 1:00 P.M. (New York City time) on the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) 11:30 A.M. (New York City time) on the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall have notified to

the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be $5,000,000 or a larger multiple of $1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Company may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Company and the Agent may agree) of any other Money Market Quote Request.

(c) Invitation for Money Market Quotes. Promptly upon receipt of a Money Market Quote Request, the Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes substantially in the form of Exhibit C hereto, which shall constitute an invitation by the Company to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.01 not later than (x) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 10:15 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall

have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); provided that Money Market Quotes submitted by the Agent (or any affiliate of the Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Agent or such affiliate notifies the Company of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Articles III and VI, any Money Market Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Money Market Quote shall be in substantially the form of Exhibit D hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be $5,000,000 or a larger multiple of $1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit D hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(E) Notice to Company. The Agent shall promptly notify the Company by facsimile transmission (or by telephone promptly confirmed by facsimile transmission) of the terms (x) of any Money Market Quote submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market

Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request; provided that, in the case of a LIBOR Auction, the Agent shall notify the Company of the terms of such Money Market Quotes before 5:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Company shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(F) Acceptance and Notice by Company. Not later than 11:30 A.M. (New York City time) on (x) the third EuroDollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall

have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Company shall notify the Agent by facsimile transmission (or by telephone promptly confirmed by facsimile transmission) of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e); provided that the Company may not accept any such offer at a time when Level IV Pricing (as defined in the Pricing Schedule) applies. If the Company fails to give such a timely notice to the Agent, it shall be deemed not to have accepted such offers. In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the principal amount of each Money Market Borrowing must be $5,000,000 or a larger multiple of $1,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be, and

(iv) the Company may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Agent. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in multiples of $1,000,000, as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

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SECTION 2.04. Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Company.

(b) Not later than (x) 12:00 Noon (New York City time) on the date of each Borrowing other than a Base Rate Borrowing and (y) 1:00 P.M. (New York City time) on the date of each Base Rate Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Company at the Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder on a day on which the Company is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Agent as provided in subsection (b), or remitted by the Company to the Agent as provided in Section 2.12, as the case may be.

(d) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section 2.04 and the Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Company severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Agent, at (i) in the case of the Company, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall

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constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.05. Notes. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Each Bank may, by notice to the Company and the Agent, request that its Loans of a particular type be evidenced by a separate Note in

an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.01(a), the Agent shall forward such Note to such Bank. Each Bank shall record the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the Company with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Company so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.06. Maturity of Loans. Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.07. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a

rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Interest Period; provided that if any CD Loan shall, as a result of clause (2)(b) of the definition of Interest Period, have an Interest Period of less than 30 days, such CD Loan shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, 90 days after the first day thereof. Any overdue principal of or interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the higher of (i) the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to the Interest Period for such Loan and (ii) the rate applicable to Base Rate Loans for such day.

"CD Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$ACDR = \left[\frac{CDBR}{1.00 - DRP} \right]^{*} + AR$$

ACDR = Adjusted CD Rate
CDBR = CD Base Rate
DRP = Domestic Reserve Percentage
AR = Assessment Rate

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* The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two

or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of such CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.3(e) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof.

"Euro-Dollar Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if

necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% plus the Euro-Dollar Margin for such day plus the Adjusted London Interbank Offered Rate applicable to the Interest Period for such Loan and (ii) the sum of 2% plus the Euro-Dollar Margin for such day plus the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than six months as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided

above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the Base Rate for such day).

(e) Subject to Section 8.01(a), each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(c) as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making

such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(f) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Company and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

SECTION 2.08. Fees.

(a) Facility Fee. The Company shall pay to the Agent for the account of the Banks ratably a facility fee at the Facility Fee Rate (determined daily in accordance with the Pricing Schedule). Such facility fee shall accrue (i) from and including the Closing Date to but excluding the Termination Date (or earlier date of termination of the

Commitments in their entirety), on the daily aggregate amount of the Commitments (whether used or unused) and (ii) from and including the Termination Date or such earlier date of termination to but excluding the date the Loans shall be repaid in their entirety, on the daily aggregate outstanding principal amount of the Loans.

(b) Payments. Fees accrued under this Section shall be payable quarterly on the last day of each fiscal quarter of the Company and upon the date of termination of the Commitments in their entirety (and, if later, the date the Loans shall be repaid in their entirety).

SECTION 2.09. Optional Termination or Reduction of Commitments. The Company may, upon at least three Domestic Business Days' notice to the Agent, (i) terminate the Commitments at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $1,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans.

SECTION 2.10. Scheduled Termination of Commitments. The Commitments shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

SECTION 2.11. Optional Prepayments. (a) The Company may, upon at least one Domestic Business Day's notice to the Agent, prepay any Base Rate Borrowing in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) The Company may not prepay all or any portion of the principal amount of any CD Loan, Euro-Dollar Loan or Money Market Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such prepayment and such notice shall not thereafter be revocable by the Company.

SECTION 2.12. General Provisions as to Payments. (a) The Company shall make each payment of principal of,

and interest on, the Loans and of fees hereunder, not later than 1:00 P.M. (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Money Market Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due to the Banks hereunder that the Company will not make such payment in full, the Agent may assume that the Company has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Company shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.13. Funding Losses. If the Company makes any payment of principal with respect to any Fixed Rate Loan (pursuant to Article VI or VIII or otherwise) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(d), or if the Company fails to borrow any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.04(a), the Company shall reimburse each Bank within 60 days after demand for any resulting loss or expense (with interest if appropriate) incurred by it or by an existing or prospective Participant

in the related Loan, including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay, provided that such Bank shall have delivered to the Company a certificate as to the amount of such loss or expense, which certificate shall show in reasonable detail the basis for calculating such amount and shall be conclusive in the absence of manifest error.

SECTION 2.14. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

ARTICLE III

CONDITIONS

SECTION 3.01. Closing. The closing hereunder shall occur upon receipt by the Agent of the following documents, each dated the Closing Date unless otherwise indicated:

(a) a duly executed Note for the account of each Bank dated on or before the Closing Date and complying with the provisions of Section 2.05;

(b) an opinion of James J. DeLong, Director, Legal Affairs for the Company, substantially in the form of Exhibit E hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(c) an opinion of Orrick, Herrington & Sutcliffe, special counsel for the Company, substantially in the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(d) an opinion of Davis Polk & Wardwell, special counsel for the Agent, substantially in the form of Exhibit G hereto and covering such additional matters

relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(e) evidence satisfactory to the Agent that (i) the commitment of the bank (or banks) under the Company's $50,000,000 Credit Agreement dated as of August 1, 1994 with Morgan Guaranty Trust Company of New York has been terminated and (ii) any loans outstanding thereunder (together with all interest accrued thereon) and all fees accrued thereunder have been paid or the Company has made arrangements satisfactory to the Agent for the payment thereof; and

(f) all documents the Agent may reasonably request relating to the existence of the Company, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent.

The Agent shall promptly notify the Company and the Banks of the Closing Date, and such notice shall be conclusive and binding on all parties hereto.

SECTION 3.02. Borrowings. The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) the fact that the Closing Date shall have occurred on or prior to October 1, 1994;

(b) receipt by the Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, as the case may be;

(c) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing; and

(e) the fact that the representations and warranties of the Company contained in this Agreement (except, in the case of a Refunding Borrowing, the representations and warranties set forth in Sections 4.04(c) and 4.05 as to any matter which has theretofore been disclosed in writing by the Company to the Banks) shall be true on and as of the date of such Borrowing.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Company on the date of such Borrowing as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants that:

SECTION 4.01. Corporate Existence and Power. The Company and each Restricted Subsidiary:

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted, except where failures to have such licenses and permits would not, in the aggregate, have a Material Adverse Effect; and

(c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where failures to be so licensed, qualified or in good standing would not, in the aggregate, have a Material Adverse Effect.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Company of this

Agreement and the Notes are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or result in the

creation or imposition of any Lien on any asset of the Company or any of its Restricted Subsidiaries.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Company and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Company, in each case enforceable in accordance with its terms, except as limited by (i) bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) general principles of equity.

SECTION 4.04. Financial Information.

(a) The consolidated balance sheet of the Company and its Consolidated Subsidiaries as of October 31, 1993 and the related consolidated statements of operations and cash flows for the fiscal year then ended, reported on by Price Waterhouse and set forth in the Company's 1993 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) The unaudited consolidated balance sheet of the Company and its Consolidated Subsidiaries as of May 1, 1994 and the related unaudited consolidated statements of operations and cash flows for the six months then ended, set forth in the Company's Latest Form 10-Q, a copy of which has been delivered to each of the Banks, fairly present, in conformity with GAAP, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six month period (subject to normal year-end adjustments).

(c) Since May 1, 1994 there has been no material adverse change in the business, financial position, results of operations or prospects of the Company and its Relevant Subsidiaries, considered as a whole.

SECTION 4.05. Litigation. Except as set forth under the heading "Legal Proceedings" in the Company's 1993 Form 10-K and the Company's Latest Form 10-Q, there is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse

determination which would have a Material Adverse Effect, or which in any manner draws into question the validity of this Agreement or the Notes.

SECTION 4.06. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.07. Environmental Matters. The Company has a process of conducting periodic internal reviews relating to compliance by the Company and its Restricted Subsidiaries with Environmental Laws and liabilities thereunder. On the basis of such reviews, except as set forth in the Company's 1993 Form 10-K and the Company's Latest Form 10-Q, nothing has come to the attention of the Company which would lead it to believe that costs associated with compliance with Environmental Laws or liabilities thereunder (including, without limitation, any capital or operating expenses required for cleanup, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) would have a Material Adverse Effect.

SECTION 4.08. Taxes. All federal and state income tax returns required to be filed by the Company or any Restricted Subsidiary in any jurisdiction have, in fact, been filed and all other tax returns required to be filed in any other jurisdiction have, in fact, been filed, except where the failure to so file in such jurisdictions (other than in connection with federal or state income tax returns) would not have a Material Adverse Effect, and all taxes, assessments, fees and other governmental charges upon the Company or any Restricted Subsidiary or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns have been paid. For all taxable years ending on or before October, 1983, the

Federal income tax liability of the Company and its Restricted Subsidiaries has been satisfied and either the period of limitations on assessment of additional Federal income tax has expired or the Company and its Restricted Subsidiaries have entered into an agreement with the Internal Revenue Service closing conclusively the total tax liability for the taxable year. The provisions for taxes on the books of the Company and each Restricted Subsidiary are adequate for all open years, and for its current fiscal period.

SECTION 4.09. Subsidiaries. Exhibit I hereto sets forth as of the date of this Agreement, with respect to each Person which is a Subsidiary of the Company on the date hereof, (i) the name of such Subsidiary, (ii) the jurisdiction of incorporation of such Subsidiary, (iii) the percentage of Voting Stock of such Subsidiary owned by the Company and its other Subsidiaries and (iv) whether such Subsidiary is designated as a Restricted Subsidiary or an Unrestricted Subsidiary under the Insurance Company Note Agreements.

SECTION 4.10. Not an Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11. Full Disclosure. All written information heretofore furnished by the Company to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby does

not, and all such written information hereafter furnished by the Company to the Agent or any Bank will not, contain any untrue statement of a material fact or in the aggregate omit a material fact necessary to make the statements therein not misleading on the date as of which such information is stated or certified. There is no fact peculiar to the Company or its Subsidiaries which the Company has not disclosed to the Banks in writing which materially adversely affects or, so far as the Company can now reasonably foresee, will materially adversely affect, the business of the Company and its Restricted Subsidiaries, taken as a whole, as now conducted and presently proposed to be conducted or the ability of the Company to meet its obligations under this Agreement and the Notes.

ARTICLE V

COVENANTS

The Company agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note remains unpaid:

SECTION 5.01. Information. The Company will deliver to each of the Banks:

(a) as soon as available and in any event within 45 days after the end of each quarterly fiscal period (except the last) of each fiscal year, copies of:

(1) a consolidated balance sheet of the Company and its Subsidiaries as of the close of such quarterly fiscal period, setting forth in comparative form the consolidated figures as of the close of the fiscal year then most recently ended,

(2) consolidated statements of operations of the Company and its Subsidiaries for such quarterly fiscal period and for the portion of the fiscal year ending with such quarterly fiscal period, in each case setting forth in comparative form the consolidated figures for the corresponding period and portion of the preceding fiscal year, and

(3) a consolidated statement of cash flows of the Company and its Subsidiaries for the portion of the fiscal year ending with such quarterly fiscal period, setting forth in comparative form the consolidated figures for the corresponding period of the preceding fiscal year,

it being agreed that (i) delivery of such financial statements shall be deemed to be a representation by the Company that such financial statements fairly present, in conformity with GAAP, the consolidated financial position of the Company and its Consolidated Subsidiaries as of the close of such quarterly fiscal period and their consolidated results of operations and cash flows for the portion of the fiscal year ending with such quarterly fiscal period (subject to normal year-end adjustments) and (ii) the Company may satisfy the requirements of this Section 5.01(a) with the delivery of its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission; provided that

such Form 10-Q satisfies the foregoing requirements of this Section 5.01;

(b) as soon as available and in any event within 90 days after the close of each fiscal year of the Company, copies of:

(1) consolidated and consolidating balance sheets of the Company and its Subsidiaries as of the close of such fiscal year, and

(2) consolidated and consolidating statements of operations and retained earnings and cash flows of the Company and its Subsidiaries for such fiscal year,

in each case setting forth in comparative form the consolidated figures for the two preceding fiscal years, all in reasonable detail and accompanied by a report thereon of a firm of independent public accountants of recognized national standing selected by the Company to the effect that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Consolidated Subsidiaries as of the end of the fiscal year being reported on and their consolidated results of operations and cash flows for said year in conformity with GAAP and that the examination of such accountants in connection with such financial statements has been conducted in accordance with generally accepted auditing standards (it being agreed that the Company may satisfy the requirements of this Section 5.01(b) with the delivery of its Annual Report on Form 10-K filed with the Securities and Exchange Commission provided that such Form 10-K satisfies the requirements of this Section 5.01);

(c) promptly upon receipt thereof, one copy of each interim or special audit made by independent accountants of the books of the Company or any Restricted Subsidiary and any management letter received from such accountants, in all cases, material to the financial condition or operations of the Company or of the Company and its Restricted Subsidiaries taken as a whole;

(d) promptly upon their becoming available, one copy of each financial statement, report, notice or proxy statement sent by the Company to stockholders generally and of each regular or periodic report, and any registration statement or prospectus (other than

those on Form S-8) filed by the Company or any Subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency, and copies of any orders in any proceedings to which the Company or any of its Subsidiaries is a party, issued by any governmental agency, Federal or state, having jurisdiction over the Company or any of its Subsidiaries, which orders are material to the financial condition or operations of the Company or the Company and its Restricted Subsidiaries taken as a whole;

(e) promptly upon the occurrence thereof, written notice of (i) a Reportable Event with respect to any Plan; (ii) the institution of any steps by the Company, any ERISA Affiliate, the PBGC or any other person to terminate any Plan if such termination were to result in a liability of the Company or any Restricted Subsidiary to the PBGC in an amount which could materially and adversely affect the condition, financial or otherwise, of the Company or of the Company and its Restricted Subsidiaries taken as a whole; (iii) the institution of any steps by the Company or any ERISA Affiliate to

withdraw from any Plan or any Multiemployer Plan if such withdrawal would result in a liability of the Company or any Restricted Subsidiary in an amount which could materially and adversely affect the condition, financial or otherwise, of the Company or of the Company and its Restricted Subsidiaries taken as a whole; (iv) a non-exempt "prohibited transaction" within the meaning of Section 406 of ERISA in connection with any Plan if such "prohibited transaction" would result in a liability of the Company or any Restricted Subsidiary in an amount which could materially and adversely affect the condition, financial or otherwise, of the Company or of the Company and its Restricted Subsidiaries taken as a whole; (v) any material increase in the contingent liability of the Company or any Restricted Subsidiary with respect to any post- retirement welfare liability; or (vi) the taking of any action by, or the threatening of the taking of any action by, the Internal Revenue Service, the Department of Labor or the PBGC with respect to any of the foregoing;

(f) within the periods provided in paragraphs (a) and (b) above, a certificate of an authorized financial officer of the Company stating that such officer has reviewed the provisions of this Agreement and (i) setting forth the information and computations (in sufficient detail) required in order to establish

whether the Company was in compliance with the requirements of Sections 5.10 through 5.14 at the end of the period covered by the financial statements then being furnished and (ii) stating whether there existed as of the date of such financial statements and whether, to the best of such officer's knowledge, there exists on the date of the certificate or existed at any time during the period covered by such financial statements any Default and, if any such condition or event exists on the date of the certificate, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto;

(g) within the period provided in paragraph (b) above, a certificate of the accountants who render an opinion with respect to such financial statements, stating (i) that they have reviewed this Agreement, and (ii) whether, in making their audit, such accountants have become aware of any Default under Section 6.01 insofar as any such terms or provisions pertain to or involve accounting matters or determinations, and if any such condition or event then exists, specifying the nature and period of existence thereof;

(h) if the Company's Unrestricted Subsidiaries, taken as a whole, would have assets in excess of 5% of Consolidated Total Assets at the date of any financial statements to be delivered pursuant to paragraph (a) or (b) above or would have net income in excess of 5% of Consolidated Net Income for any period covered by such financial statements, the Company will provide, in addition to the financial statements required by paragraph (a) or (b) above, the financial statements required by such paragraph (a) or (b) (within the applicable time period described in such paragraph (a) or (b)) on a consolidated basis reflecting the financial statements of only the Company and its Restricted Subsidiaries, certified by a financial officer of the Company as to fairness of presentation and conformity with GAAP (except for the exclusion of Unrestricted Subsidiaries) substantially as set forth in the Company's representations in Sections 4.04(a) and 4.04(b);

(i) within five days after any officer of the Company obtains knowledge of any Default, if such Default is then continuing, a

certificate of the chief financial officer or the chief accounting officer of the Company setting forth the details thereof and the

action which the Company is taking and proposes to take with respect thereto;

(j) promptly upon any change in the rating by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. of the Company's senior unsecured long-term debt securities (without third-party credit enhancement), a certificate of the chief financial officer or the chief accounting officer of the Company reporting such change and stating the date on which such change was publicly announced by the relevant rating agency; and

(k) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request.

Without limiting the foregoing, the Company will permit any Bank to visit and inspect (at the expense of such Bank unless an Event of Default has occurred and is continuing), under the Company's guidance and, so long as no Default shall have occurred and be continuing, upon not less than three Business Days' prior notice, any of the properties of the Company or any Restricted Subsidiary, to examine (to the extent material to ascertaining compliance with the terms and provisions hereof or to the extent reasonably related to the financial condition or material operations of the Company or a Restricted Subsidiary) all of their books of account, records, reports and other papers, to make copies and extracts therefrom and (to the extent material to ascertaining compliance with the terms and provisions hereof or to the extent reasonably related to the financial condition or material operations of the Company or a Restricted Subsidiary) to discuss their respective affairs, finances and accounts with their respective officers, employees (who are managers or officers), and independent public accountants (and by this provision the Company authorizes said accountants to discuss with such Banks the finances and affairs of the Company and its Restricted Subsidiaries; provided that such Bank shall have given prior written notice to the Company of its intention to discuss such finances and affairs with such accountants and have given the Company the opportunity to participate in such discussions), all at such reasonable times and as often as may be reasonably requested.

The Company will keep, and will cause each Restricted Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be

made of all dealings and transactions in relation to its business and activities, in accordance with GAAP.

Notwithstanding anything to the contrary in the foregoing provisions of this Section 5.01, neither the Agent nor any Bank shall have access to, nor may they request copies of, any information constituting trade secrets relating to technology unless the Agent or such Bank shall have executed and delivered to the Company a confidentiality agreement satisfactory to the Company.

SECTION 5.02. Payment of Obligations. The Company will pay and discharge, and will cause each Restricted Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Restricted Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

SECTION 5.03. Maintenance of Property; Insurance. (a) The Company will keep, and will cause each Restricted Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted; provided that nothing in this Section 5.03(a) shall prevent the abandonment of any property if such abandonment is not disadvantageous to the Banks in any material respect, does not result in any Default hereunder and the Company determines, in the exercise of its reasonable business judgment, that such abandonment is in the best economic interest of the Company.

(b) The Company will maintain, and will cause each Restricted Subsidiary to maintain, insurance coverage by financially sound and reputable insurers and in such forms and amounts and against such risks as are customary for corporations of established reputation engaged in the same or a similar business and owning and operating similar properties in similar locations.

SECTION 5.04. Conduct of Business and Maintenance of Existence. Neither the Company nor any Restricted Subsidiary will engage in any business if, as a result, the primary business, taken on a consolidated basis, which would then be engaged in by the Company and its Restricted Subsidiaries would be substantially changed from the business of the manufacture of capital equipment for the electronics industry. The Company will preserve, renew and keep in full force and effect, and will cause each

Restricted Subsidiary to preserve, renew and keep in full force and effect, their respective corporate existence and their respective rights, privileges and franchises material to the proper conduct of the business of the Company or of the Company and its Restricted Subsidiaries taken as a whole; provided that nothing in this Section 5.04 shall prohibit (i) the merger of a Restricted Subsidiary into the Company or the merger or consolidation of a Restricted Subsidiary with or into another Person if the corporation surviving such consolidation or merger is a Restricted Subsidiary and if, in each case, after giving effect thereto, no Default shall have occurred and be continuing or (ii) the termination of the corporate existence of any Restricted Subsidiary if such termination is not disadvantageous to the Banks in any material respect, does not result in any Default hereunder and the Company determines, in the exercise of its reasonable business judgment, that such termination is in the best economic interest of the Company.

SECTION 5.05. Compliance with Laws. The Company will comply, and cause each Restricted Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) where the violation of which, individually or in the aggregate, would not reasonably be expected to (x) result in a Material Adverse Effect or (y) if such violation is not remedied, result in any Lien not permitted under Section 5.11.

SECTION 5.06. Restricted and Unrestricted Subsidiaries. (a) The Company may designate each Subsidiary organized or acquired by it after the

date hereof as either a Restricted Subsidiary or an Unrestricted Subsidiary by resolution of the Board of Directors of the Company. Any such Subsidiary which is not so designated within 30 days of its organization or acquisition as a Subsidiary shall be deemed to be an Unrestricted Subsidiary.

(b) The Board of Directors may at any time designate any Restricted Subsidiary as an Unrestricted Subsidiary if all of the following conditions are met: (i) such Subsidiary does not own, directly or indirectly, any capital stock or Indebtedness of the Company or any Restricted Subsidiary; (ii) at any time of the proposed designation and after giving effect thereto, there shall exist no Default and (iii) such Restricted Subsidiary has

not previously been designated an Unrestricted Subsidiary pursuant to this Section 5.06(b).

(c) The Board of Directors may at any time designate any Unrestricted Subsidiary as a Restricted Subsidiary if, at the time of the proposed designation and after giving effect thereto, there shall exist no Default.

(d) Notwithstanding any provision of this Section 5.06 to the contrary, so long as any of the notes issued and sold pursuant to the Insurance Company Note Agreements remain outstanding, the Company agrees that (i) any Subsidiary designated under the Insurance Company Note Agreements as a Restricted Subsidiary will be so designated pursuant to this Section 5.06 and (ii) any Subsidiary designated under the Insurance Company Note Agreements as an Unrestricted Subsidiary will be so designated pursuant to this Section 5.06.

SECTION 5.07. Consolidations, Mergers and Sales of Assets. The Company will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its assets to any other Person; provided that the Company may merge with another Person if immediately after giving effect to such merger (i) no Default shall exist and (ii) the Company is the surviving entity.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Company for general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

SECTION 5.09. Transactions with Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's (as the case may be) business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

SECTION 5.10. Debt. (a) Consolidated Debt shall at all times be less than 50% of Consolidated Net Tangible Assets; provided that, at

any time when the equity investments (valued at their then current book value) of the Company and its Relevant Subsidiaries in Equity Affiliates would otherwise exceed 5% of Consolidated Net Tangible Assets, Consolidated Net Tangible Assets shall be adjusted for purposes of this subsection (a) by deducting such equity investments (valued at their then current book value).

(b) The aggregate outstanding principal amount of Debt of all Restricted Subsidiaries (excluding Debt of a Restricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary) shall not exceed 30% of Consolidated Net Tangible Assets at any time.

SECTION 5.11. Negative Pledge. The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for property taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen, provided that payment thereof is not at the time required by Section 5.02 or 5.05;

(b) any Lien of or resulting from any judgment or award in an amount not exceeding $50,000,000, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Company or a Restricted Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(c) Liens incidental to the conduct of business conducted by the Company and its Restricted Subsidiaries in the ordinary course of business or the ownership of properties and assets owned by the Company and its Restricted Subsidiaries (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or

trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business of the Company and its Restricted Subsidiaries and not in connection with the borrowing of money, provided in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(d) survey exceptions or encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary or appropriate in the good faith judgment of the Company for the conduct of the business of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which, individually or in the aggregate, do not in any event materially impair their use in the operation of the business of the Company or of the Company and its Restricted Subsidiaries taken as a whole;

(e) Liens securing Indebtedness of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(f) Liens existing as of July 31, 1994 and reflected in Exhibit J hereto, including any renewals, extensions or replacements of any such Lien, provided that:

(i) no additional property is encumbered in connection with any such renewal, extension or replacement of any such Lien; and

(ii) there is no increase in the aggregate principal amount of Debt secured by any such Lien from that which was outstanding or permitted to be outstanding with respect to such Lien as of July 31, 1994 or the date of such renewal, extension or replacement, whichever is greater;

(g) Liens incurred after July 31, 1994 given to secure the payment of the purchase price and/or other direct costs incurred in connection with the acquisition, construction, improvement or rehabilitation of assets including Liens incurred by the Company or any Restricted Subsidiary securing Debt incurred in connection with industrial development bond and pollution control financings, including Liens

existing on such assets at the time of acquisition thereof or at the time of acquisition by the Company or a Restricted Subsidiary of any business entity (including a Restricted Subsidiary) then owning such assets, whether or not such existing Liens were given to secure the payment of the purchase price of the assets to which they attach, provided that (i) except in the case of Liens existing on assets at the time of acquisition of a Restricted Subsidiary then owning such assets, the Lien shall be created within twelve (12) months of the later of the acquisition of, or the completion of the construction or improvement in respect of, such assets and shall attach solely to the assets acquired, purchased, or financed, (ii) except in the case of Liens existing on assets at the time of acquisition of a Restricted Subsidiary then owning such assets or Liens in connection with industrial development bond or pollution control financings, at the time of the incurrence of such Lien, the aggregate amount remaining unpaid on all Debt secured by Liens on such assets whether or not assumed by the Company or a Restricted Subsidiary shall not exceed an amount equal to 75% of the lesser of the total purchase price or fair market value, at the time such Debt is incurred, of such assets (as determined in good faith by the Board of Directors of the Company), and (iii) all such Debt shall have been incurred within the applicable limitations provided in Section 5.10;

(h) Liens arising from the sale or transfer of accounts receivable and notes receivable of AMJ, provided that (i) AMJ shall receive adequate consideration therefor and (ii) all Debt, if any, secured by such Liens is incurred within the applicable limitations of Section 5.10;

(i) Liens on notes or accounts receivable sold or transferred in a transaction which is accounted for as a true sale under GAAP;

(j) Liens not otherwise permitted by this Section 5.11 incurred in connection with the incurrence of additional Debt, provided that (i) immediately after giving effect to the incurrence of any such Lien, the sum of the aggregate principal amount of all outstanding Debt secured by Liens incurred pursuant to this Section

5.11(j) shall not exceed 10% of Consolidated Net Tangible Assets, and (ii) the incurrence of such Debt is permitted by Section 5.10; and

(k) Liens incurred in connection with any renewals, extensions or refundings of any Debt secured by Liens described in Section 5.11(g), (h), (i) or (j) provided that there is no increase in the aggregate principal amount of Debt secured thereby and no additional property is encumbered.

In the event that any property of the Company or its Restricted Subsidiaries is subjected to a lien in violation of this Section 5.11, but no other provision of this Agreement including, without limitation, Section 5.10 (the Indebtedness secured by such lien being referred to as "Prohibited Secured Indebtedness"), such violation shall not constitute an Event of Default hereunder if the Company, substantially simultaneously with the incurrence of such lien, makes or causes to be made a provision whereby the Notes will be secured equally and ratably with all Prohibited Secured Indebtedness and delivers to the Banks an opinion to that effect, and, in any case, the Notes shall have the benefit, to the full extent that, and with such priority as, the Banks may be entitled thereto under applicable law, of an equitable lien to secure the Notes on such property of the Company or its Restricted Subsidiaries that secures Prohibited Secured Indebtedness. The opinion referred to in the preceding sentence shall be addressed to each of the Banks, shall contain such qualifications and limitations as are reasonably acceptable to the Banks and shall be delivered by counsel of nationally recognized standing selected by the Company and satisfactory to the Required Banks. Such counsel shall be deemed to be satisfactory to the Required Banks unless, during the 15 day period after the Banks have received written notice identifying such counsel, Banks having more than 40% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing more than 40% of the aggregate unpaid principal amount of the Loans, shall have objected to such selection in writing to the Company.

Notwithstanding any of the foregoing provisions of this Section 5.11 including, without limitation, the terms and provisions of the preceding paragraph of this Section 5.11, the Company shall not, and shall not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien (other than Liens described in Section 5.11(a) through (d), inclusive) upon Building 1 of Phase I in Austin, Texas (or upon the land under such building), or upon the land, property or buildings (or any interest therein) located in Santa Clara, California, all as more fully described as Special Unencumbered Property in Exhibit K hereto.

SECTION 5.12. Consolidated Tangible Net Worth. (a) The Company will at all times keep and maintain Consolidated Tangible Net Worth (adjusted as provided in subsections (b) and (c) of this Section, if applicable) at an amount not less than the sum of:

(i) $725,000,000,

(ii) 50% of Consolidated Net Income (adjusted as provided in subsections (b) and (c) of this Section, if applicable) for the period from May 1, 1994 to and including the date of any calculation

hereunder and

(iii) 100% of the net proceeds of any sales or issuances of capital stock of the Company during the period from May 1, 1994 to and including the date of any calculation hereunder.

For purposes of this Section, Consolidated Net Income shall be computed on a cumulative basis for said entire period; provided that for the purposes of any determination of Consolidated Net Income under clause (ii) of this subsection (a), if Consolidated Net Income for any particular fiscal year that has ended or for that portion of a fiscal year that has not ended is a deficit figure, then Consolidated Net Income shall, for that particular fiscal year or portion of a fiscal year, be deemed to be zero.

(b) If the Company is required to deliver consolidated financial statements of the Company and its Restricted Subsidiaries pursuant to Section 5.01(h) as of any date (the "Break-Out Date"), then the following adjustments shall be made for purposes of this Section as of the Break-Out Date and at all times thereafter (unless and until the Company is no longer required to deliver such financial statements pursuant to Section 5.01(h)):

(i) Consolidated Tangible Net Worth shall be adjusted by deducting the equity investments (valued at their then current book value) of the Company and its Restricted Subsidiaries in Unrestricted Subsidiaries and

(ii) Consolidated Net Income shall be adjusted by excluding the equity of the Company and its Restricted Subsidiaries in the income (or loss) of Unrestricted Subsidiaries after May 1, 1994 and including dividends received by the Company and its Restricted Subsidiaries from Unrestricted Subsidiaries after May 1, 1994.

(c) At any time when the aggregate book value of the equity investments of the Company and its Relevant Subsidiaries in Equity Affiliates exceeds 5% of Consolidated Net Tangible Assets, the following adjustments shall be made for purposes of this Section:

(i) Consolidated Tangible Net Worth shall be adjusted by deducting such equity investments (valued at their then current book value) and

(ii) Consolidated Net Income shall be adjusted by excluding the equity of the Company and its Relevant Subsidiaries in the income (or loss) of Equity Affiliates after May 1, 1994 and including dividends received by the Company and its Relevant Subsidiaries from Equity Affiliates after May 1, 1994.

SECTION 5.13. Limitation on Long-Term Leases. The Company will not, and will not permit any Restricted Subsidiary to, become obligated, as lessee, under any Long-Term Lease if, at the time of entering into such Long-Term Lease and after giving effect thereto, the aggregate Rentals payable by the Company and all of its Relevant Subsidiaries on a consolidated basis in any one fiscal year thereafter under all Long-Term Leases (net of minimum rentals required and reasonably expected to be paid to the Company or any Relevant Subsidiary (excluding intercompany items with Relevant Subsidiaries) under sub-leases of property leased under such Long-Term Leases and which rentals would be included on an income statement of the Company on an accrued basis and are not in default) would exceed 7% of Consolidated Net Tangible Assets. For purposes of this Section 5.13 only, Rentals shall not include any amounts specifically required to be paid under Section 2 of the Purchase Agreement (Phase 1) or Section 2 of the Purchase Agreement (Phase 2), each

dated as of February 10, 1993 and each between the Company and BNP Leasing Corporation.

SECTION 5.14. Quick Ratio. On the last day of each fiscal quarter of the Company, the ratio of Consolidated Quick Assets to Consolidated Current Liabilities shall not be less than 1 to 1.

ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Company shall fail to pay any principal of any Loan when due or shall fail to pay any interest, fee or other amount payable hereunder within five days after it becomes due;

(b) the Company shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) above) until the later of (i) 30 days after the occurrence of such failure or (ii) two days after notice thereof has been given to the Company by the Agent at the request of the Required Banks;

(c) any representation, warranty, certification or statement made by the Company in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(d) the Company or any Restricted Subsidiary shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(e) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt 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;

(f) the Company or any Subsidiary 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 that no event otherwise constituting an Event of Default under this clause (f) shall be an Event of Default if the total assets of all entities with respect to which an event has occurred which would otherwise have constituted an Event of Default under this clause (f) or clause (g) do not exceed $10,000,000 in the aggregate;

(g) an involuntary case or other proceeding shall be commenced against the Company or any Subsidiary 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 the Company or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect; provided that no event otherwise constituting an Event of Default under this clause (g) shall be an Event of Default if the total assets of all entities with respect to which an event has occurred which would otherwise have constituted an Event of Default under clause (f) or this clause (g) do not exceed $10,000,000 in the aggregate;

(h) any ERISA Affiliate shall fail to pay when due an amount or amounts aggregating in excess of $10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any ERISA Affiliate, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more ERISA Affiliates to incur a current payment obligation in excess of $10,000,000;

(i) final judgments or orders for the payment of money in excess of $10,000,000 in the aggregate (excluding amounts with respect to which a financially sound and reputable insurer has admitted liability) shall be rendered against the Company or any Subsidiary and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 consecutive days; or

(j) either (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more of the outstanding shares of Voting Stock of the Company; or (ii) during any period of 12 consecutive calendar months, commencing before or after the date of this Agreement, individuals who were directors of the Company on the first day of such period (the "Initial Directors") shall cease for any reason to constitute a majority of the board of directors of the Company unless the Persons replacing such individuals were nominated or elected by a majority of the directors (x) who were Initial Directors at the time of such nomination or election and/or (y) who were nominated or elected by a majority of directors who were Initial Directors at the time of such nomination or election;

then, and in every such event, the Agent shall (i) if requested by Banks having

more than 60% in aggregate amount of the Commitments, by notice to the Company terminate the Commitments and they shall thereupon terminate, and (ii) if requested by Banks holding Notes evidencing more than 60% in aggregate principal amount of the Loans, by notice to the Company declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; provided that in the case of any of the Events of Default specified in clause (f) or (g) above with respect to the Company, without any notice to the Company or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

SECTION 6.02. Notice of Default. The Agent shall give notice to the Company under clause (b) of Section 6.01

promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

ARTICLE VII

THE AGENT

SECTION 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. Agent and Affiliates. Morgan Guaranty Trust Company of New York shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Subsidiary or affiliate of the Company as if it were not the Agent hereunder.

SECTION 7.03. Action by Agent. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.04. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. Liability of Agent. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement,

warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon (i) any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties or (ii) any notice given by telephone (pursuant to a specific provision herein authorizing notice to be given by the Company to the Agent by telephone (promptly confirmed by facsimile transmission)) believed by it to be given by the proper party.

SECTION 7.06. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitees hereunder.

SECTION 7.07. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.08. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent; provided that (i) such successor Agent shall have, in its capacity as a Bank, a Commitment of not less than $12,500,000 (reduced to reflect any reduction of the Commitments pursuant to Section 2.09) or, if the Commitments have been terminated,

shall hold a corresponding portion of the Committed Loans then outstanding (if any) and (ii) unless a Default shall have occurred and be continuing, such appointment shall not be effective without the consent of the Company, such consent not to be unreasonably withheld. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any

actions taken or omitted to be taken by it while it was Agent.

SECTION 7.09. Agent's Fee. The Company shall pay to the Agent for its own account fees in the amounts and at the times previously agreed upon between the Company and the Agent.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing:

(a) the Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of a Committed Borrowing, Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the Adjusted CD Rate or the Adjusted London Interbank Offered Rate, as the case may be, as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period,

the Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended. Unless the Company notifies the Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Committed Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Company and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Company shall immediately

prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Company shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related EuroDollar Loans of the

other Banks), and such Bank shall make such a Base Rate Loan.

SECTION 8.03. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or any obligation to make Committed Loans or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (ii) with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment (excluding, with respect to any CD Loan, any such requirement reflected in an applicable Assessment Rate) or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note or its obligation to make Fixed Rate Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 60 days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts (with interest if appropriate) as will compensate such Bank (subject to the limit in Section 8.05) for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with

the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to

capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 60 days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts (with interest if appropriate) as will compensate such Bank or its Parent (subject to the limit in Section 8.05) for such reduction.

(c) Each Bank will promptly notify the Company and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall show in reasonable detail the basis for calculating such amount or amounts and shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.04. Taxes. (a) For purposes of this Section 8.04, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Company pursuant to this Agreement or under any Note, and all liabilities with respect thereto, excluding (i) in the case of each Bank and the Agent, taxes imposed on its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments.

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Company to or for the account of any Bank or the Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; provided that, if the Company shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions, (iii) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Company shall furnish to the Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Company agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification (with interest if appropriate) shall be paid within 60 days after such Bank or the Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Company (but only so long as such Bank remains lawfully able to do so), shall provide the Company with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or

certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) If a Bank, which is otherwise exempt from or subject to a reduced rate of United States withholding tax, becomes subject to such withholding tax because of its failure to deliver a form required hereunder, the Company shall take such steps as such Bank shall reasonably request to assist such Bank to recover such withholding tax unless in the judgment of the Company, such assistance would be otherwise disadvantageous to the Company.

(f) If the Company is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.04, then such Bank will change the jurisdiction of its Applicable Lending Office if, in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

SECTION 8.05. Limitations on Amounts Due Under Section 8.03. If any Bank fails to give the Company any prompt notice required by Section 8.03(c), the Company shall not be required to indemnify and compensate such Bank or the Agent under Section 8.03 for any amounts attributable to the event or factual circumstance required to be disclosed in such notice and arising during or with respect to any period ending more than 90 days before notice thereof has been delivered to the Company; provided that this Section shall in no way limit the right of any Bank or the Agent to demand or receive compensation to the extent that such compensation relates to any law, rule, regulation, interpretation, administration, request or directive (or any change therein) which by its terms has retroactive application if such notice is given within 90 days after the date of enactment or effectiveness of such retroactive law, rule, regulation, interpretation, administration, request or directive (or change therein).

SECTION 8.06. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its CD Loans or Euro-Dollar Loans and the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as CD Loans or Euro-Dollar Loans, as the case may be, shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks), and

(b) after each of its CD Loans or Euro-Dollar Loans, as the case may be, has been repaid, all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.07. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or Section 8.04, the Company shall have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Note and assume the Commitment of such Bank.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. Except for notices given by telephone pursuant to a specific provision herein authorizing notice by telephone (promptly confirmed by facsimile transmission), all notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Company or the Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (y) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for the purpose by notice to the Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, 72 hours after such communication is deposited in the mails

with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.02. No Waivers. No failure or delay by the Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.03. Expenses; Indemnification. (a) The Company shall pay (i) all out-of-pocket expenses of the Agent, including reasonable fees and disbursements of special counsel for the Agent, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of

Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank, including (without duplication) the reasonable fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify the Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of outside counsel and the allocated cost of inside counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct.

SECTION 9.04. Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater

than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Company other than its indebtedness hereunder.

SECTION 9.05. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for the termination of any Commitment or (iv) amend this Section 9.05 or change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement.

SECTION 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice

to the Company and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any

agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) of Section 9.05 without the consent of the Participant. The Company agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000) of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit H hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Company, which shall not be unreasonably withheld, and the Agent; provided that if an Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment, no such consent shall be required; and provided further that such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of $2,500. If the Assignee is

not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Company and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.07. Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.08. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York. The Company hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 9.09. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject

matter hereof. This Agreement shall become effective upon receipt by the Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 9.10. Confidentiality. Each Bank and the Agent agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with safe and sound banking practices, any non-public information supplied to it by the Company pursuant to this Agreement which is identified by the Company as being confidential at the time the same is delivered to the Banks or the Agent, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or, upon prompt prior written notice to the Company (to the extent permitted by law), by judicial process, (ii) to counsel for any of the Banks or the Agent, (iii) to bank examiners, auditors or accountants, (iv) in connection with any litigation to which any one or more of the Banks is a party, provided that the Company has been given prompt prior written notice (to the extent permitted by law) of such proposed disclosure or (v) to any Assignee or Participant (or prospective Assignee or Participant) so long as such Assignee or Participant (or Prospective Assignee or Participant) agrees in writing to be bound by the terms of this Section 9.10; and provided further that in no event shall any Bank or the Agent be obligated or required to return any materials furnished by the Company.

SECTION 9.11. WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE

AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

APPLIED MATERIALS, INC.

By /s/ JAMES C. MORGAN

James C. Morgan
Title: Chairman

By /s/ NANCY H. HANDEL

Nancy H. Handel
Title: Treasurer
3050 Bowers Avenue
Santa Clara, California 95054
Facsimile number:

Commitments	
$25,000,000	MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By /s/ DAVID T. ELLIS

David T. Ellis
Title: Vice President

$25,000,000	BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By /s/ ALLAN B. MINER

Allan B. Miner
Title: Vice President and Manager

$12,500,000	ABN AMRO BANK N.V. SAN FRANCISCO INTERNATIONAL BRANCH

By /s/ LEBBEUS S. CASE, JR.

Lebbeus S. Case, Jr.
Title: Vice President

By /s/ ROBERT HARTINGER

Robert Hartinger
Title: Group Vice President

$12,500,000 THE BANK OF CALIFORNIA

By /s/ J. WILLIAM BLOORE

J. William Bloore
Title: Assistant Vice President

$12,500,000 BANQUE NATIONALE DE PARIS

By /s/ JUDITH A. DOWLING

Judith A. Dowling
Title: Vice President

By /s/ WILLIAM J. LA HERRAN

William J. La Herran
Title: Assistant Vice President

$12,500,000 CREDIT SUISSE

By /s/ DAVID J. WORTHINGTON

David J. Worthington
Title: Member of Senior Management

By /s/ MARILOU PALENZUELA

Marilou Palenzuela
Title: Member of Senior Management

$12,500,000 DEUTSCHE BANK AG, LOS ANGELES
AND/OR CAYMAN ISLANDS BRANCHES

By /s/ CHRISTINE LANE

Christine Lane
Title: Assistant Vice President

By /s/ MICHAEL V. HOTZE

Michael V. Hotze
Title: Managing Director

$12,500,000 UNION BANK

By /s/ John W. Hein

Title: Senior Vice President and Manager

- - -----------------

Total Commitments

$125,000,000
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MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Agent

By /s/ DAVID T. ELLIS

Title: Vice President
60 Wall Street
New York, New York 10260-0060
Attention: David T. Ellis
Telex number: 177615
Facsimile number: (212) 648-5014

PRICING SCHEDULE

The "Euro-Dollar Margin", "CD Margin" and "Facility Fee Rate" for any day are the respective rates per annum set forth below in the applicable row in the column corresponding to the Pricing Level that applies on such day:

	Level I	Level II	Level III	Level IV

Euro-Dollar Margin	0.3000%	0.3250%	0.4250%	0.6875%
CD Margin	0.4250%	0.4500%	0.5500%	0.8125%
Facility Fee Rate	0.1500%	0.1750%	0.2000%	0.3125%

For purposes of this Pricing Schedule, the following terms have the following meanings:

"Level I Pricing" applies on any day if, on such day, the Company's long-term debt is rated BBB+ or higher by S&P or Baa1 or higher by Moody's.

"Level II Pricing" applies on any day if, on such day, (i) the Company's long-term debt is rated BBB or higher by S&P or Baa2 or higher by Moody's and (ii) Level I Pricing does not apply.

"Level III Pricing" applies on any day if, on such day, (i) the Company's long-term debt is rated BBB- or higher by S&P or Baa3 or higher by Moody's and (ii) neither Level I Pricing nor Level II Pricing applies.

"Level IV Pricing" applies on any day if, on such day, no other Pricing Level applies.

"Moody's" means Moody's Investors Service, Inc.

"Pricing Level" means any one of the four pricing levels represented by Level I Pricing, Level II Pricing, Level III Pricing and Level IV Pricing.

"S&P" means Standard & Poor's Ratings Group.

The ratings to be utilized for purposes of this Pricing Schedule are those assigned to the senior unsecured long-term debt securities of the Company without third-party credit enhancement, and any rating assigned to any other debt security of the Company shall be disregarded. The rating in effect on any day is the rating in effect at the close of business on such day.

EXHIBIT A

NOTE

New York, New York
, 19

For value received, Applied Materials, Inc., a Delaware corporation (the "Company"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Company pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Company promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Credit Agreement dated as of September 8, 1994 among the

Company, the banks listed on the signature pages thereof and Morgan Guaranty Trust Company of New York, as Agent (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

APPLIED MATERIALS, INC.

By

Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

FORM OF MONEY MARKET QUOTE REQUEST

[Date]

To: Morgan Guaranty Trust Company of New York
(the "Agent")

From: Applied Materials, Inc. (the "Company")

Re: Credit Agreement (the "Credit Agreement") dated as of
September 8, 1994 among the Company, the Banks listed
on the signature pages thereof and the Agent

We hereby give notice pursuant to Section 2.03 of the Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount**	Interest Period***
$	

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

- - ---

**Amount must be $5,000,000 or a larger multiple of $1,000,000.

***Not less than one month (LIBOR Auction) or not less than 30 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

Terms used herein have the meanings assigned to them in the Credit Agreement.

APPLIED MATERIALS, INC.

By _____
Title:

EXHIBIT C

FORM OF INVITATION FOR MONEY MARKET QUOTES

To: [Name of Bank]

Re: Invitation for Money Market Quotes to Applied Materials, Inc. (the "Company")

Pursuant to Section 2.03 of the Credit Agreement dated as of September 8, 1994 among the Company, the Banks parties thereto and the undersigned, as Agent, we are pleased on behalf of the Company to invite you to submit Money Market Quotes to the Company for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount	Interest Period
$	

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than [2:00 P.M.] [10:15 A.M.] (New York City time) on [date].

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By

Authorized Officer

EXHIBIT D

FORM OF MONEY MARKET QUOTE

To: Morgan Guaranty Trust Company of New York,
as Agent

Re: Money Market Quote to Applied Materials, Inc. (the "Company")

In response to your invitation on behalf of the Company dated _____, 19__, we hereby make the following Money Market Quote on the following terms:

1. Quoting Bank: _____

2. Person to contact at Quoting Bank:

_____

3. Date of Borrowing: _____*

4. We hereby offer to make Money Market Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**	Interest Period***	Money Market [Margin****]	[Absolute Rate*****]
$			
$			

[Provided, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed $_____.]**

---

* As specified in the related Invitation.
** Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Bids must be made for $5,000,000 or a larger multiple of $1,000,000.

(notes continued on following page)

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of September 8, 1994 among the Company, the Banks listed on the signature pages thereof and yourselves, as Agent, irrevocably obligates us to make the Money Market Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[NAME OF BANK]

Dated:_____

By: _____
Authorized Officer

*** Not less than one month or not less than 30 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period.
**** Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000th of 1%) and specify whether "PLUS" or "MINUS".

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***** Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

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EXHIBIT E

OPINION OF GENERAL
COUNSEL FOR THE COMPANY

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

Ladies and Gentlemen:

I have acted as counsel to Applied Materials, Inc. (the "Company") in connection with the execution and delivery of that certain Credit Agreement (the "Credit Agreement") dated as of September 8, 1994 among the Company, the Banks signatory thereto and Morgan Guaranty Trust Company of New York, as Agent. Except as otherwise defined herein, all terms used herein and defined in the Credit Agreement or any agreement delivered thereunder shall have the meanings assigned to them therein.

In connection with this opinion, I have examined executed copies of the Credit Agreement and the Notes and such other documents, records, agreements and certificates as I have deemed appropriate. I have also reviewed such matters of law as I have considered relevant for the purpose of this opinion.

Based upon the foregoing, I am of the opinion that:

1. Each of the Company and its Restricted Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation; has the corporate power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged; and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so

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licensed, qualified, or in good standing would not, in the aggregate, have a Material Adverse Effect.

2. The execution, delivery and performance by the Company of this Agreement and the Notes are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or

in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Company or, to the best of my knowledge, of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries or, result in the creation or imposition of any Lien on any asset of the Company or any of its Restricted Subsidiaries.

3. To the best of my knowledge, except as set forth under the heading "Legal Proceedings" in the Company's 1993 Form 10-K and the Company's forms 10-Q filed since the Company's 1993 Form 10-K and prior to the date hereof, there are no pending or threatened actions, suits or proceedings against or affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator in which there is a reasonable possibility of an adverse determination which would have a Material Adverse Effect, or which in any manner draws into question the validity of the Credit Agreement or the Notes.

Certain Assumptions

With your permission I have assumed the following: (a) the authenticity of original documents and the genuineness of all signatures; (b) the conformity to the originals of all documents submitted to me as copies and the truth, accuracy, and completeness of the information, representations and warranties contained in the records, documents, instruments and certificates I have reviewed; and (c) the absence of any evidence extrinsic to the provisions of the written agreements between the parties that the parties intended a meaning contrary to that expressed by those provisions.

Certain Limitations and Qualifications

I express no opinion as to laws other than laws of the State of California, the federal law of the United States of America and the official statutes of other jurisdictions to the extent necessary to render the opinions as to corporate authority in paragraph 1 above. I am licensed to practice law only in the State of California.

The phrase "to the best of my knowledge" is intended to indicate that, during the course of the performance of my duties as Director, Legal Affairs, of the Company, no information that would give me current actual knowledge of the inaccuracy of such statement has come to my attention.

Use of Opinion

This opinion is solely for your benefit (and the benefit of any Assignee which becomes a Bank pursuant to Section 9.06(c) of the Credit Agreement) 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, nor may copies hereof be delivered to, any other person without my prior written approval. I disclaim any obligation to update this opinion for events occurring or coming to my attention after the date hereof.

Very truly yours,

James J. DeLong
Director, Legal Affairs

EXHIBIT F

OPINION OF ORRICK, HERRINGTON & SUTCLIFFE,
SPECIAL COUNSEL FOR THE COMPANY

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

Ladies and Gentlemen:

We have acted as counsel to Applied Materials, Inc., a Delaware corporation (the "Company") in connection with that certain Credit Agreement (the "Agreement") dated as of September 8, 1994 among the Company, the banks signatory thereto (the "Banks") and Morgan Guaranty Trust Company of New York, as Agent. The capitalized terms herein are used as defined in the Agreement.

In this regard, we have examined executed originals or copies of the following, copies of which have been delivered to you:

(a) The Agreement; and

(b) The Notes.

Based upon such examination and having regard for legal considerations which we deem relevant, we are of the opinion that the Agreement is and, when delivered under the Agreement, each Note will be, the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its 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 Agent and the Banks are exempt from the California usury law; (g) 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 the Notes; and (h) the absence of any evidence extrinsic to the provisions of the written agreements between the parties that the parties intended a meaning contrary to that expressed by those provisions.

We express no opinion as to (a) matters of law in jurisdictions other than the State of California and the United States or (b) the enforceability under California law of a choice of law provision in the documents described herein. With your permission, we have assumed for the purpose of rendering this opinion that the laws of the State of California govern the transaction, notwithstanding that the Agreement and the Notes state that they are to be governed by New York law.

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 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) the possibility that certain covenants and provisions for the acceleration of the maturity of the Notes may not be enforceable if enforcement would be unreasonable under the then existing circumstances, but in our opinion acceleration would be available if an event of default occurred as a result of a material breach of a material covenant;

(d) the unenforceability under certain circumstances of provisions imposing penalties, forfeiture, late payment charges or an increase in interest rate upon

delinquency in payment or the occurrence of any event of default;

(e) rights to indemnification and contribution which may be limited by applicable law and equitable principles; and

(f) 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 James J. DeLong, Director, Legal Affairs of the Company, as to certain matters relating to the Company. We have made no independent examination of such matters. We note for your information that Donald A. Slichter, the Secretary of the Company, is a partner in our firm.

This opinion is solely for your benefit (and the benefit of the Banks which become parties to the Agreement as Assignees under Section 9.06(c) of the Agreement) 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,

EXHIBIT G

OPINION OF DAVIS POLK & WARDWELL,
SPECIAL COUNSEL FOR THE AGENT

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

Dear Sirs:

We have participated in the preparation of the Credit Agreement (the "Credit Agreement") dated as of September 8, 1994 among Applied Materials, Inc., a Delaware corporation (the "Company"), the banks listed on the signature pages thereof (the "Banks") and Morgan Guaranty Trust Company of New York, as Agent (the "Agent"), and have acted as special counsel for the Agent for the purpose of rendering this opinion pursuant to Section 3.01(d) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

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

Upon the basis of the foregoing, we are of the opinion that:

1. The execution, delivery and performance by the Company of the Credit Agreement and the Notes are within the Company's corporate powers and have been duly authorized by all necessary corporate action.

2. The Credit Agreement constitutes a valid and binding agreement of the Company and each Note constitutes a

valid and binding obligation of the Company, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware. In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect.

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

Very truly yours,

EXHIBIT H

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, 19__ among [ASSIGNOR] (the "Assignor"), [ASSIGNEE] (the "Assignee"), APPLIED MATERIALS, INC. (the "Company") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent (the "Agent").

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the Credit Agreement dated as of September 8, 1994 among the Company, the Assignor and the other Banks party thereto, as Banks, and the Agent (the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans to the Company in an aggregate principal amount at any time outstanding not to exceed $_____;

WHEREAS, Committed Loans made to the Company by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to $_____ (the "Assigned Amount"), together with a corresponding portion of its outstanding Committed Loans, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee[, the Company and the Agent] and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.**** It is understood that commitment and/or facility fees accrued to the date hereof are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

[SECTION 4. Consent of the Company and the Agent. This Agreement is conditioned upon the consent of the Company and the Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Company and the Agent is evidence of this consent. Pursuant

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****Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee, net of any portion of any upfront fee to be paid by the Assignor to the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

to Section 9.06(c) the Company agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.]

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Company, or the validity and enforceability of the obligations of the Company in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Company.

SECTION 6. Governing Law. This Agreement shall be governed

by and construed in accordance with the laws of the State of New York.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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

[ASSIGNOR]

By

Title:

[ASSIGNEE]

By

Title:

APPLIED MATERIALS, INC.

By

Title:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Agent

By

Title:

EXHIBIT I

RESTRICTED AND UNRESTRICTED SUBSIDIARIES

1. Restricted Subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Stock Owned Directly or Indirectly by the Company
Applied Materials Japan, Inc.	Japan	100%
Applied Materials Asia-Pacific, Ltd.	Delaware	100%
Applied Materials Korea, Ltd.	Korea	100%
Applied Materials Taiwan, Ltd	Taiwan	100%
Applied Materials Europe BV	Netherlands	100%
Applied Materials, Ltd.	England	100%
Applied Materials France SARL	France	100%
Applied Materials GmbH	Germany	100%
Applied Materials (Holdings)	California	100%
Applied Implant Technology, Ltd.	California	100%
Applied Materials International BV (FSC)	Netherlands	100%
Applied Materials Israel, Ltd.	Israel	100%

2. Unrestricted Subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Stock Owned Directly or Indirectly by the Company
Applied Komatsu Technology, Inc.	Japan	50%
Applied Komatsu Technology America, Inc.	California	50%
[Applied Materials Europe BV]		
Applied Materials Ireland, Ltd.	Ireland	100%
Applied Materials Sweden AB	Sweden	100%
Applied Acquisition Subsidiary	California	100%
Applied Materials International, Inc.	California	100%
G-Squared Semiconductor Corporation	California	100%
DXGLZ Company, Limited	Hong Kong	100%

EXHIBIT J

EXISTING LIENS AS OF JULY 31, 1994

Description of Lien	Aggregate Amount of Debt Secured by Lien

T/C1 Land and "Kojozaidan" held by Bank of Tokyo, Japan Development Bank, Mitsubishi Bank, Sanwa Bank and Nippon Life Insurance Company. These are registered liens placed upon the factory foundation at the Narita Technology Center. The factory foundation is the collection of land, buildings and machinery capital equipment as one registered asset.	$52,687,000

EXHIBIT K

SPECIAL UNENCUMBERED PROPERTY

Property	Approximate Property/Use Description	Sq. Ft.
3050 Bowers Avenue Santa Clara, CA Bldg. #1	Office, Engineering & R&D use.	84,300
3100 Bowers Avenue Santa Clara, CA Bldg. #2	Two story steel frame H-6 occupancy building used for product and technology development.	104,900
3300 Scott Boulevard Santa Clara, CA Bldg. #3	Office, Manufacturing and Clean Room.	60,100
3090 Bowers Ave. Santa Clara, CA Cafeteria	One story cafeteria with kitchen facility.	15,600
3070 Bowers Ave. Santa Clara, CA Garage	Two level concrete reinforced 400 car capacity parking platform.	136,000
3225 Oakmead Village Drive Santa Clara, CA Bldg. #12	Three story steel frame B-2 occupancy administrative building currently under construction and situated at the intersection of Oakmead Village Parkway and Central Expressway.	96,600
Austin Campus 9700 Hiway 290 E Bldg. #2 "C" Austin, TX	Manufacturing, Office, Warehouse, Cafeteria currently under construction.	168,000
Austin Campus 9700 Hiway 290 E Bldg. #1 "C" Austin, TX	Manufacturing, Office and Warehouse.	156,000
Austin Campus 9700 Hiway 290 E Bldg. #3 "C" Austin, TX	Manufacturing, Office and Warehouse currently under construction.	194,000

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EXHIBIT 13

SELECTED CONSOLIDATED FINANCIAL DATA

Fiscal year ended*	1994	1993	1992	1991	1990
(In thousands, except per share data)					
Net sales	$1,659,807	$1,080,047	$751,383	$638,606	$567,130
Gross margin	$ 768,295	$ 475,684	$308,204	$268,581	$265,129
(% of net sales)	46.3	44.0	41.0	42.1	46.7
Research, development and engineering	$ 189,126	$ 140,161	$109,196	$102,665	$ 97,066
(% of net sales)	11.4	13.0	14.5	16.1	17.1
Marketing, selling and administrative	$ 242,047	$ 171,654	$126,383	$113,228	$109,113
(% of net sales)	14.6	15.9	16.8	17.7	19.2
Income from consolidated companies before taxes and cumulative effect of accounting change	$ 334,497	$ 153,558	$ 58,925	$ 40,355	$ 54,084
(% of net sales)	20.2	14.2	7.8	6.3	9.5
Tax rate (%)	35.0	33.0	33.0	35.0	37.0
Net income	$ 220,696	$ 99,695	$ 39,480	$ 26,231	$ 34,073
Earnings per share	$ 2.60	$ 1.21	$ .54	$ .38	$ .50
Average common shares and equivalents	85,021	82,294	72,680	68,900	68,144
Order backlog	$ 715,200	$ 365,800	$253,900	$213,400	$250,400
Working capital	$ 734,104	$ 395,388	$333,590	$234,211	$171,656
Long-term debt	$ 209,114	$ 121,076	$118,445	$123,967	$ 53,611
Stockholders' equity	$ 966,264	$ 598,762	$474,111	$325,454	$300,308
Book value per share	$ 11.49	$ 7.45	$ 6.06	$ 4.82	$ 4.51
Total assets	$1,702,665	$1,120,152	$853,822	$660,756	$558,009
Capital expenditures	$ 180,440	$ 95,351	$ 60,943	$ 62,670	$106,149
Regular full-time employees	6,497	4,739	3,909	3,543	3,281

* The fiscal year ends on the last Sunday in October of each year. The fiscal year end for the periods presented are October 30, 1994, October 31, 1993, October 25, 1992, October 27, 1991 and October 28, 1990.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Applied Materials, Inc. (the Company) achieved record revenues of $1.7 billion for the fiscal year ended October 30, 1994. Record new orders for the fiscal year were $2.0 billion and the Company ended the fiscal year with a backlog of $715.2 million compared to $365.8 million at the end of fiscal 1993.

Fiscal 1994 and 1992 each consisted of 52 weeks while fiscal 1993 consisted of 53 weeks. Although the additional week affected overall sales and spending during fiscal 1993, it did not materially impact the comparability of the annual financial results from year to year.

RESULTS OF OPERATIONS

The Company's worldwide net sales increased by 54 percent and 121 percent for fiscal 1994 compared to fiscal 1993 and fiscal 1992, respectively, reflecting a continuing strong worldwide demand for the Company's single-wafer, multichamber systems and worldwide service and support operations. The increased demand for the Company's multichamber systems (the Precision 5000, Endura and Centura) reflects the industry's trend toward systems capable of performing processes needed for smaller device geometries, as well as complex multi-level metal

structures of most advanced semiconductor devices. High reliability and uptime specifications from our global customers have helped establish firm worldwide demand for the Company's installed base service and support organization which increased revenues 39 percent from fiscal 1993 and 82 percent from fiscal 1992.

Applied Materials operates in all major geographic regions of the worldwide semiconductor industry. In fiscal 1994, 63 percent of the Company's net sales were to customers located outside North America compared to 62 percent in fiscal 1993 and 61 percent in fiscal 1992. North America continued to represent the Company's largest region as manufacturers invested in production capacity for advanced microprocessors, memory devices and application-specific integrated circuits (ASIC). Sales in Japan improved from the prior fiscal year as major dynamic random access memory (DRAM) manufacturers invested in new eight-inch wafer fabrication lines. Fiscal 1994 sales in the Asia-Pacific region continued to increase from fiscal 1993 levels, driven by investments in DRAM capacity in South Korea and logic and foundry capacity in Taiwan and Singapore. European sales also showed improvement reflective of investments by both European and U.S. multinational manufacturers in semiconductor capacity to serve the computing, telecommunications and consumer products markets. Although the Company has experienced high growth rates for more than two years, the Company's expectation is that such rates will moderate as demand for semiconductor production equipment reaches more sustainable levels.

While markets outside of North America provide the Company with significant growth opportunities, periodic downturns, fluctuations in interest and foreign currency exchange rates, trade balance issues, and potential political instability are all risks which could affect product demand. Significant operations of the Company are conducted in Japanese yen, British pounds sterling and other European currencies.

Forward exchange contracts and options are purchased to hedge certain existing firm commitments and anticipated foreign currency denominated transactions over the next year. Gains and losses on hedge contracts are reported as a component of the related transaction. Because the impact of movements in currency exchange rates on foreign exchange contracts offsets the related impact on the underlying items being hedged, these financial instruments do not subject the Company to speculative risk that would otherwise result from changes in currency exchange rates. With the strengthening of the Japanese yen relative to the U.S. dollar during fiscal 1994, the Company experienced a slightly favorable impact to its results of operations after the effects of the foreign currency hedging activities. To date exchange gains and losses resulting from translation of foreign currencies into U.S. dollars have not had a significant effect on the Company's results of operations.

Gross margin as a percentage of net sales increased to 46 percent in fiscal year 1994 compared with 44 percent in fiscal 1993 and 41 percent in fiscal 1992. The improvement from the prior years reflects economies of scale in manufacturing and service and support operations as net sales reached record levels. However, past margin trends are not necessarily indicative of future margin performance.

Total operating expenses as a percentage of net sales were 26 percent in fiscal 1994 compared to 29 percent and 32 percent in fiscal 1993 and 1992, respectively. This decreasing trend is due mainly to revenue growth exceeding spending growth. Due to the rapid growth in demand in fiscal 1994 and 1993, the Company's operating infrastructure investments did not keep pace with the

increase in sales. Accordingly, the Company intends to increase investments in strategic facilities expansion, information systems technology and personnel to support higher volumes of business. Thus, the Company's expectation is that operating expenses as a percentage of sales will increase modestly in fiscal 1995.

The highly competitive market served by the Company is characterized by rapid technological change and increasingly stringent customer requirements. The Company's future results depend, to a considerable extent, on its ability to maintain a competitive advantage in both the products and services it provides. For this reason, Applied Materials believes it is critical to continue to make substantial investments in research and development to ensure a continued flow of innovative, high-quality products. Investments in research, development and engineering were $189.1 million or 11 percent of net sales in fiscal 1994 compared with $140.2 million or 13 percent in fiscal 1993 and $109.2 million or 15 percent in fiscal 1992. New products introduced during fiscal 1994 include the Centura HP PVD, Polycide Centura and Metal Etch MxP Centura. The Company also introduced a new electrostatic chuck, WCVD xZ(TM) chamber and subatmospheric chemical vapor deposition technologies for existing products. Research, development and engineering expenditures for fiscal 1995 will be directed towards new wafer processing systems, new process applications for existing products and related wafer processing technology.

Marketing, selling and administrative expenses as a percentage of net sales were 15 percent, 16 percent and 17 percent in fiscal 1994, 1993 and 1992, respectively. During each of these fiscal years, the Company has increased spending in marketing and selling programs to support the development of international

markets and to increase customer understanding of new and existing products in all geographic regions. Increases in administrative expenses over the prior three fiscal years have been primarily to support the Company's growth. During fiscal 1994, the Company implemented its global organization strategy which created the worldwide business, product and manufacturing operations, supported by global human resources, customer satisfaction and finance organizations. As a percentage of net sales, these expenses have decreased as revenue growth has exceeded the growth in marketing, selling and administrative expense.

Applied Materials' effective income tax rate was 35 percent in fiscal 1994 and 33 percent in fiscal 1993 and 1992. The two percentage point increase in the effective tax rate over the last three years is primarily the result of recently enacted U.S. tax legislation, as well as variations in the Company's worldwide income mix and foreign taxes. The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", (SFAS 109) prospectively on November 1, 1993 and recorded a one-time $7.0 million credit, or $0.09 per share, from the impact of the accounting change. Adoption of SFAS 109 did not otherwise have a significant effect on the provision for income taxes. In fiscal 1995, the Company's effective tax rate is anticipated to remain at the current 35 percent level.

The Company's future operating results may be affected by inherent uncertainties that exist in the worldwide semiconductor equipment industry. Such uncertainties include, but are not limited to, the development of new technologies, competitive pricing pressures, changes to global economic conditions, and the availability of needed components. Accordingly, recent historical operating results should only be one element in evaluating the future financial performance of the Company.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities during fiscal 1994 generated $111.0 million in cash as

compared to $117.0 million in fiscal 1993 and $59.2 million in 1992. The primary factor contributing to the decrease from fiscal 1993 to 1994 was increased levels of accounts receivable and inventory offset by sharply higher earnings and depreciation. The increase from fiscal 1992 to 1993 was the result of higher earnings before depreciation. Accounts receivable increased $149.8 million from October 1993 primarily due to increased sales volumes and increases in collection time in North America and Japan. Inventories increased $91.1 million from October 1993 primarily to support production ramp-up to meet higher demand for products and for increases in spare parts to support a larger global installed base. Exchange rate fluctuations between the functional currencies of the Company's subsidiaries and the U.S. dollar did not materially affect the consolidated balance sheet.

The Company's investing activities used $295.9 million in cash as compared to $184.6 million in fiscal 1993 and $109.2 million in 1992. In fiscal 1994, as in fiscal 1993 and 1992, investments consisted primarily of capital expenditures for facilities expansion, demonstration and test equipment and information systems. Major facility improvement and expansion projects are currently taking place in Texas, California, Japan, Taiwan and Korea. These projects reflect efforts taken by the Company to manage its manufacturing and engineering lab capacity to ensure that customer demands will be met.

Capital expenditures are expected to approximate $195 million during 1995. This amount includes funds for the continuation and completion of facilities expansion, investments in demonstration and test equipment, information systems and other capital expenditures. These expenditures are anticipated to be financed by operating earnings and available cash on hand.

During fiscal 1994, the Company's financing activities raised $110.7 million from the sale of 2.3 million shares of common stock and $98.6 million from the issuance of ten-year noncallable unsecured senior notes.

At October 30, 1994, the Company's principal sources of liquidity consisted of $422.3 million of cash and short-term investments and $205 million in available U.S. and foreign credit facilities. The Company's liquidity is affected by many factors, some of which are based on the normal on-going operations of the business and others which relate to the uncertainties of the industry and global economies. 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 current borrowing arrangements, will be sufficient to satisfy commitments for capital expenditures and other cash requirements for the next fiscal year.

One of the Company's locations has been designated as a superfund site by the U.S. Environmental Protection Agency. The Company has an approved plan for remedial action, and the cost of this approved plan is not significant.

In September 1993, the Company entered into a joint venture agreement with Komatsu Ltd. to form Applied Komatsu Technology, Inc. (AKT), a joint venture corporation whose global business is to develop, manufacture and market systems used to produce flat panel displays (see note five to the consolidated financial statements). In fiscal 1994, the Company recorded a $3.7 million reduction in its investment in accounting for AKT's net loss. The Company's management does not expect this transaction or the operations of the joint venture to materially impact the Company's financial condition or net income during fiscal 1995 as AKT remains in the startup phase of its business

operations. AKT anticipates accelerating its investment in product technologies for both PVD and Etch in addition to expanding the substrate size of its CVD product during fiscal 1995 and 1996.

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CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal year ended	1994	1993	1992
(In thousands, except per share data)			
Net sales	$1,659,807	$1,080,047	$751,383
Cost of products sold	891,512	604,363	443,179
Gross margin	768,295	475,684	308,204
Operating expenses:			
Research, development and engineering	189,126	140,161	109,196
Marketing and selling	157,303	107,275	78,141
General and administrative	84,744	64,379	48,242
Other expense (income), net	(2,115)	2,875	4,249
Income from operations	339,237	160,994	68,376
Interest expense	15,962	14,206	15,207
Interest income	11,222	6,770	5,756
Income from consolidated companies before taxes and cumulative effect of accounting change	334,497	153,558	58,925
Provision for income taxes	117,074	50,674	19,445
Income from consolidated companies before cumulative effect of accounting change	217,423	102,884	39,480
Equity in net loss of joint venture	3,727	3,189	-
Income before cumulative effect of accounting change	213,696	99,695	39,480
Cumulative effect of a change in accounting for income taxes	7,000	-	-
Net income	$ 220,696	$ 99,695	$ 39,480
Earnings per share:			
Income before cumulative effect of accounting change	$ 2.51	$ 1.21	$ .54
Net income	$ 2.60	$ 1.21	$ .54
Average common shares and equivalents	85,021	82,294	72,680

See accompanying notes to the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

	1994	1993
(In thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160,320	$ 119,597
Short-term investments	262,005	146,583
Accounts receivable, less allowance for doubtful accounts of $1,089 and $487	405,813	256,020
Inventories	245,710	154,597
Deferred income taxes	99,766	62,413
Other current assets	56,923	36,706
Total current assets	1,230,537	775,916
Property, plant and equipment, less accumulated depreciation	452,454	327,704
Other assets	19,674	16,532
Total assets	$1,702,665	$1,120,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 43,081	$ 41,645
Current portion of long-term debt	15,432	7,017
Accounts payable and accrued expenses	378,238	282,699
Income taxes payable	59,682	49,167
Total current liabilities	496,433	380,528
Long-term debt	209,114	121,076
Deferred income taxes	11,581	7,193
Other non-current obligations	19,273	12,593
Total liabilities	736,401	521,390
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock; $.01 par value per share; 1,000 shares authorized; no shares issued	-	-
Common stock; $.01 par value per share; 200,000 shares authorized; 84,104 and 80,378 shares outstanding	841	804
Additional paid-in capital	390,655	256,429
Retained earnings	545,926	325,230
Cumulative translation adjustments	28,842	16,299
Total stockholders' equity	966,264	598,762
Total liabilities and stockholders' equity	$1,702,665	$1,120,152

See accompanying notes to the consolidated financial statements.

CASH FLOWS

Fiscal year ended	1994	1993	1992
(In thousands)			
Cash flows from operating activities:			
Net income	$ 220,696	$ 99,695	$ 39,480
Adjustments required to reconcile net income to cash provided by operations:			
Depreciation and amortization	59,051	38,894	28,858
Equity in net loss of joint venture	3,727	3,189	-
Cumulative effect of a change in accounting for income taxes	(7,000)	-	-
Changes in assets and liabilities:			
Accounts receivable	(135,851)	(53,188)	(28,337)
Inventories	(80,507)	(42,731)	(6,169)
Deferred income taxes	(32,697)	(22,961)	(9,771)
Other current assets	(18,216)	(18,342)	(6,179)
Other assets	(3,733)	(836)	(178)
Accounts payable and accrued expenses	83,119	85,607	28,178
Income taxes payable	12,329	21,601	11,856
Other non-current obligations	10,106	6,030	1,413
Cash provided by operations	111,024	116,958	59,151
Cash flows from investing activities:			
Capital expenditures	(180,440)	(95,351)	(60,943)
Investment in joint venture	-	(5,860)	-
Proceeds from short-term investments	151,305	155,668	34,362
Purchases of short-term investments	(266,727)	(239,034)	(82,619)
Cash used for investing	(295,862)	(184,577)	(109,200)
Cash flows from financing activities:			
Short-term borrowing, net	(1,420)	9,907	(8,687)
Long-term debt borrowing	98,594	5,505	-
Long-term debt repayments	(7,256)	(9,158)	(10,383)
Sales of common stock, net of treasury stock activity	134,263	21,566	102,564
Cash provided by financing	224,181	27,820	83,494
Effect of exchange rate changes on cash	1,380	(57)	834
Increase (decrease) in cash and cash equivalents	40,723	(39,856)	34,279
Cash and cash equivalents at beginning of year	119,597	159,453	125,174
Cash and cash equivalents at end of year	$ 160,320	$ 119,597	$ 159,453

Cash payments for interest were $14,120, $14,187 and $14,875 for 1994, 1993 and 1992, respectively.

Cash payments for income taxes were $79,498, $31,177 and $9,671 for 1994, 1993 and 1992, respectively.

See accompanying notes to the consolidated financial statements.

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NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of the Company and its subsidiaries

after elimination of all significant intercompany balances and transactions. The Company's 50 percent joint venture investment in Applied Komatsu Technology, Inc. (AKT) is accounted for under the equity method and is included in other long-term assets. The Company's fiscal year ends on the last Sunday of October. Fiscal 1994 consisted of 52 weeks and ended on October 30, 1994. Fiscal 1993 consisted of 53 weeks and ended on October 31, 1993. Fiscal 1992 consisted of 52 weeks and ended on October 25, 1992.

Cash Equivalents and Short-Term Investments. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents and short-term investments are stated at cost which approximates market value.

During 1993, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities," effective for fiscal years beginning after December 15, 1993. SFAS 115 requires investment securities to be classified as trading, available for sale or held to maturity. The Company will adopt SFAS 115 in the first quarter of fiscal 1995. The cumulative effect of adopting SFAS 115 will not be material to the consolidated financial statements.

Inventory Valuation Inventories are stated at the lower of cost or market, with cost determined on the basis of first-in, first-out (FIFO).

Property, Plant and Equipment. Property, plant and equipment is stated at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the useful lives of the improvements or the lease term, whichever is shorter. Gains and losses on sales of property, plant and equipment are reflected in income. Maintenance and repairs are charged to income as incurred. Improvements which extend the useful life of property, plant and equipment are capitalized.

Revenue Recognition. Revenue related to systems is generally recognized upon shipment, which usually precedes customer acceptance. A provision for the estimated future cost of system installation and warranty is recorded at the time revenue is recognized. Service revenue is recognized ratably over the period of the related contract.

Foreign Currency Translation. The Company's subsidiaries located in Japan and Europe operate using local functional currencies. Accordingly, all assets and liabilities of these operations are translated at current exchange rates at the end of the period and revenues and costs at average exchange rates in effect during the period. The resulting cumulative translation adjustments are recorded directly in stockholders' equity.

Foreign subsidiaries in the Asia-Pacific region use the U.S. dollar as the functional currency. Accordingly, assets and liabilities are translated at period-end exchange rates, except for inventories and property, plant and equipment, which are translated at historical rates. Revenues and expenses are translated at average exchange rates in effect during the period, except for costs related to those balance sheet items which are translated at historical rates. Foreign currency transaction gains and losses are included in income as they occur.

Earnings Per Share. Earnings per common share and equivalents is computed on the basis of the weighted average number of common shares and common equivalent shares from dilutive stock options (see note nine).

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2. FINANCIAL INSTRUMENTS

Off-Balance Sheet Risk. Forward exchange contracts and options are purchased to hedge certain existing firm commitments and anticipated foreign currency denominated transactions over the next year. Gains and losses on hedge contracts are reported as a component of the related transaction. Because the impact of movements in currency exchange rates on foreign exchange contracts offsets the related impact on the underlying items being hedged, these financial instruments do not subject the Company to speculative risk that would otherwise result from changes in currency exchange rates.

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, short-term investments, trade accounts receivable, and financial instruments used in hedging activities.

The Company invests in a variety of financial instruments such as certificates of deposit, municipal bonds and treasury bills. The Company, by policy, limits the amount of credit exposures to any one financial institution or commercial issuer.

The Company's customers are semiconductor manufacturers throughout the world. The Company performs ongoing credit evaluations of its customers' financial condition and, generally requires no collateral from its customers. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectibility of all accounts receivable.

The Company is exposed to credit loss in the event of nonperformance by counterparties on the foreign exchange contracts used in hedging activities. The Company does not anticipate nonperformance by any of these counterparties.

Fair Value of Financial Instruments. For certain of the Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, notes payable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. Consequently, such instruments are not included in the following table, which provides information regarding the estimated fair values of other financial instruments, both on and off the balance sheet:

	1994		1993	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In thousands)				
Long-term debt	$224,546	$221,471	$128,093	$137,740
Forward exchange contracts:*				
Sell foreign currency, primarily yen	$214,637	$219,318	$ 53,397	$ 53,987
Buy foreign currency, primarily yen	$136,454	$139,921	$ 35,617	$ 34,829

* Notional amount

The estimated fair value for long-term debt is primarily based on quoted market prices for the same or similar issues. The fair value of forward exchange contracts is based on quoted market prices of comparable instruments. The fair value of foreign currency option contracts was not material at October 30, 1994 and October 31, 1993.

3. INVENTORIES

(In thousands)	1994	1993
Customer service spares	$ 75,860	$ 45,584
Systems raw materials	56,309	32,294
Work-in-process	81,389	57,526
Finished goods	32,152	19,193
	$245,710	$154,597

4. PROPERTY, PLANT AND EQUIPMENT

(In thousands)	Useful Lives In Years	1994	1993
Land		$ 58,950	$ 22,884
Buildings and leasehold improvements	5-65	266,892	209,584
Demonstration and manufacturing equipment	3-7	114,880	93,111
Furniture and fixtures	3-10	110,951	74,485
Construction in progress		70,917	49,584
		622,590	449,648
Less accumulated depreciation		170,136	121,944
		$452,454	$327,704

Construction in progress is primarily for buildings and leasehold improvements in the U.S.

5. APPLIED KOMATSU TECHNOLOGY JOINT VENTURE

In September 1993, the Company entered into an agreement with Komatsu Ltd. to form Applied Komatsu Technology, Inc. (AKT), a joint venture corporation to develop, manufacture and market systems used to produce flat panel displays. The Company's initial investment in AKT aggregated $6,916,000 which included the net book value of contributed cash and certain tangible and intangible assets, as well as the costs of formation. Komatsu Ltd. contributed $35,000,000 of cash to AKT. The difference between the Company's investment and its interest in the book value of AKT's net assets will be amortized when AKT achieves sustained profitability. The Company's investment in AKT has been reduced to zero as a result of its share of AKT's net losses in fiscal 1994 and 1993. Under the joint venture agreement, the Company receives royalties on AKT sales which did not materially affect the Company's results of operations in fiscal 1994 or 1993.

6. NOTES PAYABLE

The Company has credit facilities for borrowings in various currencies up to $247,900,000 on an unsecured basis; $125,000,000 represents a revolving credit agreement in the U.S. with a group of eight banks. This agreement includes facility fees, allows for borrowings at rates including the lead bank's

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prime reference rate, requires compliance with certain financial covenants and expires in September 1998. The remaining $122,900,000 of credit facilities are primarily with Japanese and European banks at rates tied to their prime reference rates. At October 30, 1994, $43,081,000, was outstanding, principally under Japanese credit facilities at an average annual rate of 3 percent.

7. LONG-TERM DEBT

(In thousands)	Interest Rate	Maturity Date	1994	1993
Secured Japanese debt	4.6-6.9%	1995-2004	$ 49,546	$ 53,093
Unsecured senior notes	9.62%	1995-1999	75,000	75,000
Noncallable unsecured senior notes	8.00%	2004	100,000	
			224,546	128,093
Less current portion			15,432	7,017
			$ 209,114	$121,076

Japanese debt is due in equal periodic installments and is secured by property and equipment having an approximate net book value of $83,506,000 at October 30, 1994.

The unsecured senior notes are fixed-rate and require annual principal payments from April 1, 1995 through 1999. There is a prepayment penalty based on current interest rates and the remaining time to maturity. The notes contain covenants that include limitations on additional borrowings, liens placed on assets, dividends and certain other major transactions, and require compliance with certain financial tests and ratios.

The noncallable unsecured senior notes are fixed-rate and require semi-annual interest payments on March 1 and September 1 with the principal payable in 2004. The notes contain certain financial covenants that include limitations on additional borrowings by U.S. subsidiaries, liens placed on assets, and sale and leaseback transactions.

Aggregate principal payments required on long-term debt are:

(In thousands)	
1995	$ 15,432
1996	22,649
1997	22,397
1998	25,171
1999	28,597
Thereafter	110,300

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NOTES TO

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(In thousands)	1994	1993
Accounts payable	$119,039	$ 87,332
Compensation and employee benefits	70,474	48,383
Installation and warranty	77,057	55,240
Unearned income	24,324	24,220
Other	87,344	67,524
	$378,238	$282,699

9. STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments
Balance at October 27, 1991	67,484	$675	$132,428	$186,055	$ 6,296
Net issuance under stock plans*	2,962	30	13,431	-	-
Stock offering	7,850	78	89,950	-	-
Treasury stock acquired	(100)	(1)	(924)	-	-
Translation adjustments	-	-	-	-	6,613
Net income	-	-	-	39,480	-
Balance at October 25, 1992	78,196	782	234,885	225,535	12,909
Net issuance under stock plans*	2,182	22	21,544	-	-
Translation adjustments	-	-	-	-	3,390
Net income	-	-	-	99,695	-
Balance at October 31, 1993	80,378	804	256,429	325,230	16,299
Net issuance under stock plans*	1,426	14	23,576	-	-
Stock offering	2,300	23	110,650	-	-
Translation adjustments	-	-	-	-	12,543
Net income	-	-	-	220,696	-
Balance at October 30, 1994	84,104	$841	$390,655	$545,926	$ 28,842

*Includes 100 and 416 shares of treasury stock issued under stock plans in 1994 and 1993, respectively. Includes tax benefits of $27,402, $18,708 and $7,779 for 1994, 1993 and 1992 respectively.

During fiscal 1994, the stockholders approved an increase in the authorized number of shares of common stock to 200,000,000.

In March 1994, the Company sold 2,300,000 shares of common stock in a public offering at a price of $50.25 per share prior to underwriters' commission. Proceeds after underwriters' commission and other offering costs were $110,673,000. In September 1992, the Company sold 7,850,000 shares of common

stock in a public offering at a price of $12.00 per share prior to

underwriters' commission. Proceeds after underwriters' commission and other offering costs were $90,028,000.

Common shares reserved for issuance upon exercise of outstanding stock options and shares available for future grants aggregated approximately 9,424,000 shares at October 30, 1994.

10. EMPLOYEE BENEFIT PLANS

Stock Options. The Company grants options to key employees and non-employee directors to purchase its common stock at fair market value at date of grant. Generally, options vest over a four-year period. The stock option plan provides for the payment of the stock option exercise price with cash or previously owned shares of the Company's common stock at fair market value. In addition, income taxes required to be withheld upon exercise of stock options may be paid with shares of common stock at fair market value. There were 3,655,000, 5,723,000 and 3,740,000 shares available for grant at the end of fiscal 1994, 1993 and 1992, respectively. Stock option activity was as follows:

	1994	1993	1992
(In thousands, except per share data)			
Outstanding, beginning of year	5,463	7,692	9,276
Granted	2,291	526	2,126
Exercised	(1,761)	(2,647)	(3,326)
Canceled	(224)	(108)	(384)
Outstanding, end of year	5,769	5,463	7,692
Exercisable, end of year	1,872	1,608	1,844
Consideration received for options exercised during year (ranging from $2.88 to $36.13 per share in 1994, $2.06 to $18.88 per share in 1993 and $2.06 to $9.22 per share in 1992)	$ 12,556	$13,123	$ 11,914
Aggregate purchase price of options outstanding at end of year (ranging from $4.75 to $51.00 per share in 1994, $2.06 to $36.13 per share in 1993 and $2.06 to $12.25 in 1992)	$112,114	$46,451	$ 48,349

Employee Bonus Plans. The Company has various employee bonus plans. A profit sharing bonus plan distributes a percentage of pretax profits to substantially all of the Company's employees up to a maximum percentage of compensation. Another plan awards annual bonuses to the Company's executive staff based on the achievement of profitability and other specific performance criteria. The Company also has agreements with certain key technical employees that provide for additional compensation related to the success of new product development as well as achievement of specified profitability criteria. Charges to expense under these plans were $31,166,000, $19,838,000 and $9,958,000 in fiscal 1994, 1993 and 1992, respectively.

Employee Savings and Retirement Plan. The Employee Savings and Retirement Plan is qualified under Section 401(k) of the Internal Revenue Code. The Company contributes a percentage of the amount of salary deferral contributions made by each participating employee. Company contributions become 20 percent vested after an employee's third year of service and vest an additional 20 percent for each year of service thereafter, becoming fully vested after seven years of service. All Company contributions are invested in the Company's common stock. Expenses were $6,417,000, $4,935,000 and $2,022,000 for fiscal 1994, 1993 and 1992, respectively.

Defined Benefit Plans of Foreign Subsidiaries. Certain of the Company's foreign subsidiaries have defined benefit pension plans covering substantially all of their eligible employees. The benefits under these plans are based on years of service and final average compensation levels. Funding is limited to statutory requirements. The provisions under these plans aggregated $3,344,000, $2,973,000 and $2,555,000, principally consisting of service cost, for fiscal 1994, 1993 and 1992, respectively. The aggregate accumulated benefit obligation, projected benefit obligation and fair value of plan assets at October 30, 1994 were $12,161,000, $18,592,000 and $6,108,000, respectively.

11. RESEARCH AND DEVELOPMENT ARRANGEMENTS

The Company has research and development arrangements with various customers and other entities to partially fund the development of certain technologies and possible future products. These contracts require the Company to perform research and development on a milestone or best efforts basis and the Company has no obligation to repay the funded amounts. Funding from these contracts, recognized on the percentage of completion basis, aggregated $8,941,000, $9,920,000 and $12,748,000 in 1994, 1993 and 1992, respectively, and are recorded as a reduction of research, development and engineering expense. The remaining balance of these contracts aggregates $5,729,000 at October 30, 1994 and expire at various dates through fiscal 1995.

12. INCOME TAXES

Effective November 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." The Company has adopted SFAS 109 prospectively, and amounts presented for prior years have not been restated. The cumulative effect of adopting SFAS 109 resulted in a one-time credit of $7,000,000, or $0.09 per share, and is reported separately in the consolidated statement of operations. Adoption of SFAS 109 did not have any other significant effects on the fiscal 1994 tax provision.

The adoption of SFAS 109 changes the Company's method of accounting for income taxes from the deferral method, pursuant to APB 11, to an asset and liability approach. Under APB 11, deferred taxes are recognized for income and expense items that are reported in different years for financial reporting purposes. Under the asset and liability approach of SFAS 109, deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their existing tax bases.

Provisions are made for estimated United States and foreign income taxes, less available tax credits and deductions, which may be incurred on the remittance of the Company's share of foreign subsidiaries' undistributed earnings.

The components of income from consolidated companies before taxes and

cumulative effect of accounting change were as follows:

(In thousands)	1994	1993	1992
U.S.	$276,483	$132,434	$48,557
Foreign	58,014	21,124	10,368
Income from consolidated companies before taxes and cumulative effect of accounting change	$334,497	$153,558	$58,925

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

(In thousands)	1994	1993	1992
Current:			
U.S.	$ 96,106	$ 47,050	$ 19,006
Foreign	32,343	14,170	7,221
State	17,083	11,259	3,691
	145,532	72,479	29,918
Deferred:			
U.S.	(21,672)	(18,015)	(8,047)
Foreign	(4,555)	(3,790)	(2,426)
State	(2,231)	-	-
	(28,458)	(21,805)	(10,473)
Provision for income taxes	$117,074*	$ 50,674	$ 19,445

* Excludes cumulative effect of accounting change.

The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate as follows:

(In thousands)	1994	1993	1992
Tax provision at U.S. statutory rate	$117,074	$53,438	$20,035
Effect of foreign operations taxed at various rates	7,480	2,643	1,270
State income taxes, net of federal benefit	9,654	7,341	2,436
Research tax credits	(3,063)	(1,690)	(884)
FSC benefit	(6,900)	(4,566)	(1,697)
Tax exempt interest	(1,600)	(1,379)	(1,279)
Foreign tax credits	(6,808)	(5,193)	(2,400)
Other	1,237	80	1,964

Provision for income taxes	$117,074*	$50,674	$19,445

*Excludes cumulative effect of accounting change.

The components of the net deferred income tax asset under SFAS 109 are as follows:

(In thousands)	October 30, 1994	November 1, 1993
Deferred tax assets:		
Inventory reserves and basis difference	$20,366	$14,530
Warranty and installation reserves	23,470	22,288
Other	55,930	29,568
Deferred tax liabilities:		
Depreciation	(2,681)	(1,622)
Other	(8,900)	(5,544)
Net deferred tax assets	$88,185	$59,220

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For years prior to fiscal 1994, the components of the deferred tax provision under APB 11 were as follows:

(In thousands)	1993	1992
Net increase in financial accruals not currently tax deductible:		
Warranty and installation	$ (6,617)	$ (3,005)
Other financial accruals	(11,377)	(4,452)
Difference in tax versus book depreciation	1,207	(431)
Cost inventoriable for tax, not for books	138	(1,212)
Other	(5,156)	(1,373)
Total deferred tax provision	$(21,805)	$(10,473)

13. INDUSTRY SEGMENT AND FOREIGN OPERATIONS

The Company currently operates exclusively in the semiconductor wafer fabrication equipment industry. The Company's selling and service operations are key revenue-producing activities. For geographical reporting, revenues are attributed to the geographic location of the sales and service organizations, and costs directly and indirectly incurred in generating revenues are similarly assigned. Corporate assets consist primarily of cash and cash equivalents and short-term investments. Corporate operating expenses consist primarily of general and administrative expenses not allocable to geographic regions.

Sales to one customer were 16 percent of the Company's net sales in 1993. Sales to two customers were 13 percent and 12 percent of the Company's net sales in 1992. No customers other than those noted above, were greater than 10 percent of sales for fiscal years 1994, 1993 and 1992.

	United States	Europe	Japan	Asia-Pacific	Corporate	Consolidated
(In thousands)						
1994:						
Net sales	$611,670	$292,189	$454,939	$301,009	-	$1,659,807
Income from operations	139,562	77,956	75,324	95,475	(49,080)	339,237
Total assets	724,093	121,822	378,571	83,805	394,374	1,702,665
1993:						
Net sales	$405,991	$218,825	$269,552	$185,679	-	$1,080,047
Income from operations	71,338	49,322	8,961	68,786	(37,413)	160,994
Total assets	454,085	104,110	255,827	48,696	257,434	1,120,152
1992:						
Net sales	$296,717	$136,033	$227,303	$ 91,330	-	$ 751,383
Income from operations	40,429	20,778	11,558	26,230	(30,619)	68,376
Total assets	335,991	72,128	225,870	18,065	201,768	853,822

Intercompany transfers of products from the United States to other regions were $538,442,000, $370,668,000 and $282,236,000 in fiscal years 1994, 1993 and 1992, respectively, and from Europe were $67,934,000, $28,462,000 and $22,524,000 in fiscal 1994, 1993 and 1992, respectively. Transfers and commission arrangements between geographic areas are at prices sufficient to recover a reasonable profit. At October 30, 1994, net accounts receivable from customers located in the United States were $110,951,000 while net accounts receivable from customers located in Japan, Europe and the Asia-Pacific region were $198,445,000, $43,336,000 and $53,081,000, respectively.

14. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment under noncancelable operating leases and has options to renew most leases, with rentals to be negotiated. In February 1993, the Company entered into a four-year operating lease for previously leased office and general operating facilities in Santa Clara, California, providing for monthly payments which vary based on the London interbank offering rate (LIBOR). This lease provides the Company with the option at the end of the lease of either acquiring the property at its original cost or arranging for the property to be acquired. The Company is contingently liable under an 85 percent first-loss clause for up to $30,000,000 at October 30, 1994. Management believes that this contingent liability will not have a material adverse effect on the Company's financial position or results of operations. In addition, the Company must maintain compliance with financial covenants similar to its credit facilities.

Total rent expense in fiscal 1994, 1993 and 1992 was $28,083,000, $23,870,000 and $21,592,000, respectively. Aggregate minimum future rental commitments are:

(In thousands)		
	1995	$27,335

1996	18,501
1997	12,814
1998	8,723
1999	8,348
Thereafter	47,315

Selected trade notes, received as payment for accounts receivable in Japan, are discounted with financial institutions with recourse. At the end of fiscal year 1994, $100,896,000 of such receivables were outstanding.

The Company is the plaintiff in two patent infringement lawsuits against another company and the defendant has filed a counterclaim in one of these lawsuits and has other claims against the Company in two separate patent infringement lawsuits. The Company is also a defendant in another patent infringement lawsuit and in other litigation arising in the normal course of business. Also in the normal course of business, the Company from time to time receives and makes inquiries with regard to possible patent infringement. Management believes that it is unlikely that the outcome of these lawsuits or of the patent infringement inquiries will have a material adverse effect on the Company's financial position or results of operations.

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15. Unaudited Quarterly Consolidated Financial Data

(In thousands, except per share data)	Quarter First	Second	Third	Fourth	Total Year
1994:					
Net sales	$340,449	$411,332	$440,228	$467,798	$1,659,807
Gross margin	155,979	189,391	205,572	217,353	768,295
Income before cumulative effect of accounting change	37,391	55,071	58,136	63,098	213,696
Net income	44,391	55,071	58,136	63,098	220,696
Earnings per share:					
Income before cumulative effect of accounting change	.45	.65	.68	.73	2.51
Net income	.53	.65	.68	.73	2.60

(In thousands, except per share data)	Quarter First	Second	Third	Fourth	Total Year
1993:					
Net sales	$215,574	$255,692	$281,370	$327,411	$1,080,047
Gross margin	91,607	110,516	125,972	147,589	475,684
Net income	14,686	22,328	28,173	34,508	99,695
Earnings per share	.18	.27	.34	.42	1.21

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REPORT OF MANAGEMENT

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in the Annual Report. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts based on management's best judgments and estimates. Financial information in the Annual Report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal business controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal control system is augmented by appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Ethics applicable to all employees of the Company and its subsidiaries. Management believes that the Company's internal controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The Audit Committee of the Board of Directors, composed solely of Directors who are not officers of the Company, meets periodically with the independent accountants, our internal auditors, and management to discuss internal business controls, auditing and financial reporting matters. The Committee reviews with the independent accountants the scope and results of the audit effort. The Committee also meets with the independent accountants without management present to ensure that the independent accountants have free access to the Committee.

The independent accountants, Price Waterhouse LLP, are engaged to examine the consolidated financial statements of the Company and conduct such tests and related procedures as they deem necessary in accordance with generally accepted auditing standards. The opinion of the independent accountants, based upon their audit of the consolidated financial statements, is contained in this Annual Report.

/s/ JAMES C. MORGAN
James C. Morgan
Chairman and Chief Executive Officer

/s/ JAMES W. BAGLEY
James W. Bagley
Vice Chairman and Chief Operating Officer

/s/ DAN MAYDAN
Dan Maydan
President

/s/ GERALD F. TAYLOR
Gerald F. Taylor
Senior Vice President, Finance and
Chief Financial Officer

November 23, 1994

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Applied Materials, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and cash flows present fairly, in all material respects, the financial position of Applied Materials, Inc. and its

subsidiaries at October 30, 1994 and October 31, 1993, and the results of their operations and their cash flows for each of the three years in the period ended October 30, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 12 to the consolidated financial statements, the Company changed its method of accounting for income taxes effective November 1, 1993.

/s/ PRICE WATERHOUSE LLP
- - ------------------------
San Jose, California
November 23, 1994

STOCKHOLDERS' INFORMATION

Legal Counsel
Orrick, Herrington & Sutcliffe
San Francisco, California

Independent Accountants
Price Waterhouse LLP
San Jose, California

Number of Registered Stockholders: 1175

Stock Listing
Applied Materials, Inc. is traded on the NASDAQ/
National Market System, NASDAQ Symbol: AMAT

Transfer Agent
Harris Trust Company of California
Los Angeles, California

Form 10-K
A copy of Applied Materials' 10-K Annual Report, filed with the Securities and Exchange Commission, which contains additional information relating to the Company, is available without charge. We welcome questions from potential and existing stockholders.

Please contact:
Mike Musson
Director, Investor Relations
Applied Materials, Inc.
3050 Bowers Avenue
Santa Clara, California 95054-3299
(800) 882-0373

STOCK PRICE HISTORY

Fiscal Year	1994		1993	
	High	Low	High	Low

First Quarter	43 3/4	30	19 3/8	14 7/16
Second Quarter	51 3/4	37 5/8	22 5/8	17 1/2
Third Quarter	49 1/8	38 3/4	33	21 1/2
Fourth Quarter	52 1/2	43	39 1/4	28 5/8

The preceding table sets forth the high and low closing sale prices as reported on the NASDAQ National Market System during the last two years.

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APPENDIX TO 1994 ANNUAL REPORT
DESCRIPTION OF GRAPHS

In this Appendix, the following descriptions of certain graphs in the Company's 1994 Annual Report that are omitted from the EDGAR version are more specific with respect to the actual numbers, amounts and percentages than is determinable from the graphs themselves. The Company submits such more specific descriptions only for the purpose of complying with the requirements for transmitting this Annual Report on Form 10-K electronically via EDGAR; such more specific descriptions are not intended in any way to provide information that is additional to the information otherwise provided in the Annual Report.

Page Number 26
Graph Title: REVENUE PER EMPLOYEE
(Dollars in thousands)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing thousands of dollars. Revenue per employee is $255, $228, $192, $180, and $173 thousand for 1994, 1993, 1992, 1991, and 1990, respectively.

Page Number 26
Graph Title: TOTAL ASSETS
(Dollars in millions)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing dollars in millions. Assets are split by Cash and Short-term Investments and Other Assets. Cash and Short-term Investments are $422, $266, $223, $140, and $72 million for 1994, 1993, 1992, 1991, and 1990, respectively. Other Assets are $1,280, $854, $631, $521, and $486 million for 1994, 1993, 1992, 1991, and 1990, respectively.

Page Number 26
Graph Title: R D & E Expenses
(Dollars in millions)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing dollars in millions. Data contained in the graph is located on page 26 of the 1994 Annual Report in the Selected Consolidated Financial Data Table on the Research, development and engineering line item.

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Page Number 27
Graph Title: SALES BY GEOGRAPHIC REGION
(Dollars in millions)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing dollars in millions. Each bar is split by the United States, Japan, Europe and Asia-Pacific. The following table lists the amount of net sales by geographic region in millions of dollars:

SALES BY GEOGRAPHIC REGION	1990	1991	1992	1993	1994
U.S.	$257.6	$216.5	$296.7	$ 406.0	$ 611.7
Japan	189.3	258.4	227.3	269.6	455.0
Europe	101.7	95.3	136.1	218.7	292.1
Asia-Pacific	18.5	68.4	91.3	185.7	301.0
Total	$567.1	$638.6	$751.4	$1,080.0	$1,659.8

Page Number 28
Graph Title: OPERATING PROFIT AS A PERCENTAGE OF NET SALES
(Percent)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing percentages. Operating profit as a percentage of net sales is 20%, 15%, 9%, 8%, and 10% for 1994, 1993, 1992, 1991, and 1990.

Page Number 29
Graph Title: CAPITAL EXPENDITURES
(Dollars in millions)
Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing dollars in millions. Capital expenditures are split by Land Buildings and Improvements and Other. Land, Buildings and Improvements are $107, $49, $33, $45, and $69 million for 1994, 1993, 1992, 1991, and 1990, respectively. Other is $73, $46, $28, $18, and $38 million for 1994, 1993, 1992, 1991, and 1990, respectively.

Page Number 30
Graph Title: WORKING CAPITAL
(Dollars in millions)

Bar graph with horizontal axis containing years 1994, 1993, 1992, 1991, and 1990 and vertical axis containing dollars in millions. Data contained in the graph is located on page 26 of the 1994 Annual Report in the Selected Consolidated Financial Data Table on the Working capital line item.

Exhibit 21

SUBSIDIARIES OF APPLIED MATERIALS, INC.

Subsidiaries of Applied Materials, Inc.		State or Country of Incorporation or Organization
Applied Materials Japan, Inc.		Japan
Applied Materials Europe B.V.	(1)	Netherlands
Applied Materials International B.V.		Netherlands
Applied Komatsu Technology, Inc. (50-50 joint venture with Komatsu Ltd.)		Japan
Applied Acquisition Subsidiary		California
Applied Materials International, Inc.		California
Applied Materials (Holdings)	(2)	California
Applied Materials Asia-Pacific, Ltd.	(3)	Delaware
Applied Materials Israel, Ltd.		Israel
(1) Applied Materials Europe B.V. owns the following subsidiaries:		
Applied Materials GmbH		Germany
Applied Materials France SARL		France
Applied Materials, Ltd.		England
Applied Materials Ireland, Ltd.		Ireland
Applied Materials Sweden AB		Sweden
(2) Applied Materials (Holdings) owns the following subsidiary:		
Applied Implant Technology, Ltd.		California
(3) Applied Materials Asia-Pacific, Ltd. owns the following subsidiaries:.		
Applied Materials Korea, Ltd.		Korea
Applied Materials Taiwan, Ltd.		Taiwan

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Exhibit 23

Consent of Independent Accountants
in Regard to Forms S-8

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 2-77988; 2-77987; 2-69114; 2-85545; 2-94205; 33-24530; 33-24531; 33-52072; 33-52076) of Applied Materials, Inc. of our report dated November 23, 1994 appearing on page 47 of the Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on page 21 of this Annual Report on Form 10-K.

/s/ Price Waterhouse LLP
- - ------------------------
Price Waterhouse LLP
San Jose, California
December 19, 1994

EXHIBIT 24

POWER OF ATTORNEY

The undersigned directors and officers of Applied Materials, Inc., a Delaware corporation (the "Company") hereby constitute and appoint James C. Morgan and Geralf F. Taylor, and each of them with full power to act without the other, the undersigned's true and lawful attorney-in-fact, with full power of substitution and resubstitution, for the undersigned and in the undersigned's name, place and stead in the undersigned's capacity as an officer and/or director of the Company, to execute in the name and on behalf of the undersigned an annual report of the Company on Form 10-K for the fiscal year ended October 30, 1994 (the ""Report''), under the Securities and Exchange Act of 1934, as amended, and to file such Report, with exhibits thereto and other documents in connection therewith and any and all amendments thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done and to take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required of, the undersigned, it being understood that the documents executed by such attorney-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of December, 1994.

/s/ MICHAEL ARMACOST
- - ---------------------------------
Michael Armacost
Director

/s/ HERBERT M. DWIGHT, JR.
- - ---------------------------------
Herbert M. Dwight, Jr.
Director

/s/ GEORGE B. FARNSWORTH
- - ---------------------------------
George B.Farnsworth
Director

/s/ PHILIP V. GARDINA
- - ---------------------------------
Philip V. Gardina
Director

/s/ TSUYOSHI KAWANISHI
- - ---------------------------------
Tsuyoshi Kawanishi
Director

/s/ PAUL R. LOW
- - ---------------------------------
Paul R. Low

/s/ DR. HIROO TOYODA

Dr. Hiroo Toyoda
Director

/s/ JAMES C. MORGAN

James C. Morgan
Chairman, Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ JAMES W. BAGLEY

James W. Bagley
Vice Chairman, Chief Operating
Officer and Director

/s/ DAN MAYDAN

Dan Maydan
President and Director

/s/ GERALD F. TAYLOR

Gerald F. Taylor
Senior Vice President
Chief Financial Officer
(Principal Financial Officer)

Director

/s/ ALFRED J. STEIN
- - ----------
Alfred J. Stein
Director

/s/ MICHAEL O'FARRELL

Michael O'Farrell
Corporate Controller
(Chief Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED OCTOBER 30, 1994.
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