

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

(Mark One)

☒ Annual report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

FOR THE FISCAL YEAR ENDED MARCH 31, 2000 OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-21184

MICROCHIP TECHNOLOGY INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State of Incorporation)

86-0629024
(I.R.S. Employer
Identification No.)

2355 W. Chandler Blvd., Chandler, AZ 85224
(Address of Principal Executive Offices, Including Zip Code)

(480) 786-7200
(Registrant's Telephone Number, Including Area Code)

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

None

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

Common Stock, \$.001 Par Value Per Share
Preferred Share Purchase Rights

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ 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 Form 10-K or any amendment to this Form 10-K. ☐

The approximate aggregate market value of the voting stock of the registrant beneficially owned by stockholders, other than directors, officers and affiliates of the registrant, at April 28, 2000 was \$4,847,702,620.

Number of shares of Common Stock, \$.001 par value, outstanding as of April 28, 2000: 78,971,110.

Documents Incorporated by Reference

Document	Part of Form 10-K
Proxy Statement for the 2000 Annual Meeting of Stockholders	III

PART I

ITEM 1. BUSINESS

Microchip Technology Incorporated was incorporated in Delaware in 1989. In this Form 10-K, "we," "us," and "our" each refers to Microchip Technology Incorporated and its subsidiaries. Our executive offices are located at 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199 and our telephone number is (480) 786-7200. Our website address is microchip.com. The information on our website is NOT incorporated into this Form 10-K.

We develop and manufacture specialized semiconductor products used by our customers for a wide variety of embedded control applications. Our product portfolio comprises microcontrollers; application-specific standard products, referred to as ASSPs; and related mixed-signal and memory products. We market our products to the consumer, automotive, office automation, communications and industrial markets. We provide highly cost-effective embedded control and

believe that our PIC(R) product family is a price/performance leader in the worldwide microcontroller market. Our embedded control products also offer the advantages of small size, low voltage operation and ease of development, enabling timely and cost-effective product integration by our customers. Our ASSP products include a variety of specialized integrated circuits, including our family of KEELOQ(R) security products for wireless communications. Our mixed-signal products consist of a variety of standalone analog devices used primarily in embedded control systems to convert or buffer input and output signals to or from a microcontroller. And, our memory products are primarily comprised of serial EEPROMs which are used primarily to provide non-volatile memory storage in embedded control systems.

Risks and uncertainties that may affect our future operating results are set forth throughout the following discussion of our business. Additional risk factors that may affect our future operating results are discussed in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operation," at page 13.

THIS FORM 10-K CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES, INCLUDING STATEMENTS REGARDING OUR STRATEGY, FINANCIAL PERFORMANCE AND REVENUE SOURCES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THE RESULTS ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS INCLUDING THOSE SET FORTH UNDER "ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," BEGINNING AT PAGE 13, AND ELSEWHERE IN THIS FORM 10-K. ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. YOU SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS.

INDUSTRY BACKGROUND

Competitive pressures require manufacturers to expand product functionality and provide differentiation while maintaining or reducing cost. To address these requirements, manufacturers use integrated circuit-based embedded control systems that provide an integrated solution for application-specific control requirements. Embedded control systems enable manufacturers to differentiate their products, replace less efficient electromechanical control devices, add product functionality and significantly reduce product costs. In addition, embedded control systems facilitate the emergence of complete new classes of products. Embedded control systems typically incorporate a microcontroller as the principal active, and sometimes sole, component.

A microcontroller is a self-contained computer-on-a-chip consisting of a central processing unit, non-volatile program memory, random access memory for data storage and various input/output capabilities. In addition to the microcontroller, a complete embedded control system incorporates application-specific software and may include specialized peripheral device controllers and external non-volatile memory components, such as EEPROMs to store additional program software.

Embedded control systems enable our customers to:

- * differentiate their products
- * replace less efficient electromechanical control devices
- * add product functionality, and
- * significantly reduce product cost.

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Embedded control solutions have been incorporated into thousands of products and subassemblies in a wide variety of markets worldwide, including:

- * automotive air bag systems
- * remote control devices
- * handheld tools
- * appliances
- * portable computers
- * cordless and cellular telephones
- * motor controls, and
- * security systems.

The increasing demand for embedded control has made the market for microcontrollers one of the largest segments of the semiconductor market. Microcontrollers are currently available in 4-bit through 32-bit architectures. Although 4-bit microcontrollers are relatively inexpensive, typically costing under \$1.00 each, they generally lack the minimum performance and features required by today's design engineers for product differentiation and are typically used only to produce basic functionality in products. While 16- and 32-bit architectures provide very high performance, they are prohibitively expensive for most high-volume embedded control applications, typically costing more than \$4.00 each. As a result, manufacturers of competitive, high-volume products have increasingly found 8-bit microcontrollers, that typically cost \$1.00 to \$8.00 each, to be the most cost-effective embedded control solution. For example, a typical new automobile may include one 32-bit microcontroller for engine control, three 16-bit microcontrollers for transmission control, audio systems and anti-lock braking, and up to 50 8-bit microcontrollers to provide

other embedded control functions, such as door locking, automatic windows, sun roof, adjustable seats, electric mirrors, air bags, fuel pump, speedometer, and the security and climate control systems.

Most microcontrollers available today are ROM-based and must be programmed by the semiconductor supplier during manufacturing, resulting in six-to-20 week lead times for delivery of such microcontrollers. In addition to delayed product introduction, these long lead times can result in potential inventory obsolescence and factory shutdowns when changes to the firmware are required. To address time-to-market constraints, some suppliers have made EPROM, EEPROM, or Flash Memory-based programmable microcontrollers available for prototyping and preproduction runs. However, these microcontrollers have been relatively expensive, and manufacturers have still been required to send program code to the semiconductor factory for ROM programming as product changes are made. As a result, the long lead times for production volume microcontrollers have not been significantly reduced by traditional approaches.

OUR PRODUCTS

Our strategic focus is on embedded control products, including microcontrollers, ASSPs, related mixed-signal and memory products, and application development systems.

MICROCONTROLLERS

We offer a broad family of microcontroller products featuring a unique, proprietary architecture marketed under the PIC(R) brand name. We have shipped more than one billion PIC(R) microcontrollers to customers worldwide since their introduction in 1990. Our PIC(R) products are designed for applications requiring high performance and low cost. They feature a variety of memory configurations, low voltage and power, small footprint and ease of use. We believe this product family is currently a price/performance leader in the overall microcontroller marketplace. Our performance results from an exclusive product architecture which features dual data and instruction pathways, referred to as a Harvard dual-bus architecture; a reduced instruction set, referred to as RISC; and variable length instructions; all of which provide significant speed advantages over the alternative single-bus, CISC architectures. Prices for our microcontroller products currently range from approximately \$0.49 to \$10.00 per unit.

Our original market focus was in the low-cost segment of the 8-bit microcontroller marketplace. With our baseline products, we built our current market position as the leading worldwide supplier of field programmable microcontrollers. Over the past five years, we have introduced more than 120 new microcontrollers targeted at the baseline, mid-range and high-end segments of the traditional 8-bit microcontroller marketplace. Additionally, with our scalable product architecture, we have successfully targeted both the lower end of the 16-bit microcontroller market as well as the higher end of the large 4-bit microcontroller marketplace, significantly enlarging our addressable market. We believe that all of the additional market segments we have entered represent significant opportunities for future sales growth.

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We have used our manufacturing experience and design and process technology to bring additional enhancements and manufacturing efficiencies to the development and production of our PIC(R) family of microcontroller products. Our extensive experience base has enabled us to develop our advanced, low cost user programmability feature by incorporating non-volatile memory, such as EPROM, EEPROM and Flash Memory, into the microcontroller in addition to masked ROM program memory being included into the microcontroller.

DEVELOPMENT SYSTEMS

We offer a comprehensive set of low cost and easy-to-learn application development tools. These tools enable system designers to quickly and easily program a PIC(R) microcontroller for specific applications and are a key factor for obtaining design wins. Our family of development tools operates in the standard Windows(R) environment on standard PC hardware. Entry-level systems, which include an assembler and programmer hardware, are priced at less than \$200. A fully configured system, which also provides in-circuit emulation hardware, performance simulators and software debuggers, is priced at approximately \$2,000. Customers moving from entry-level designs to those requiring real-time emulation are able to preserve their investment in software tools as they migrate to future PIC(R) devices since all the product families are assembly- and C- language compatible.

Many independent companies also develop and market application development tools and systems that support our standard microcontroller product architecture. We believe that familiarity with and adoption of our, and third-party, development systems by an increasing number of product designers will be an important factor in the future selection of our embedded control products. These development tools allow design engineers to develop thousands of application-specific products from our standard microcontrollers. Currently, there are more than 120 third-party tool suppliers worldwide whose products support the Company's proprietary microcontroller architecture.

ASSPS

Our application-specific standard products, referred to as ASSPs, are specialized products designed to perform specific end-user applications as opposed to our other products which are more general purpose in nature. Our ASSP device families currently include the KEELOQ(R) family of secure data transmission products, as well as other specialized integrated circuit devices. KEELOQ(R) security products are designed for low cost, secure, uni-directional communications and verification purposes. Applications include:

- * automotive remote keyless entry systems
- * automotive immobilizer systems
- * automatic garage and gate openers, and
- * smart cards.

MIXED-SIGNAL PRODUCTS

Our mixed-signal products consist of a growing portfolio of standalone analog devices that are used primarily in embedded control systems to convert or buffer input and output signals to or from a microcontroller. Our standalone analog product family was introduced to the market at the beginning of fiscal year 2000. As of the end of fiscal 2000, our mixed-signal portfolio consists of more than 15 standalone analog products, and those devices are being shipped to more than 1,000 end customers.

MEMORY PRODUCTS

Our memory products consist primarily of serial electrically erasable programmable read only memory, referred to as EEPROMs. We sell these devices primarily into the embedded control market, and we are one of the largest suppliers of such devices worldwide. EEPROM products are used for non-volatile program and data storage in systems where such data must be modified frequently. Serial EEPROMs have a very low I/O pin requirement, permitting production of very small devices. As a result, Serial EEPROMs are widely used to supply non-volatile memory in space-sensitive applications such as portable computers, cellular and cordless telephones, pagers and remote control devices.

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Within this market, we have emphasized providing Serial EEPROMs to customers that require features such as:

- * highly compact packaging
- * low operating voltage
- * reduced power consumption
- * extended data retention, and
- * high endurance.

We address customer requirements by offering products with extremely small package sizes and very low operating voltage for both read and write functions (1.8 volts in contrast with the industry standard of 3.3 volts), together with a wide operating voltage range (1.8 to 5.5 volts). High performance circuitry and microcode are also available to reduce power consumption when a device is not in use, while permitting immediate operating capability when required. The products also feature long data retention and high erase/write endurance.

We currently offer a complete Serial EEPROM product family that meets three principal industry bus interface standards and is available in most standard density, configuration and packaging alternatives. Our Smart Serials(TM) line of specialized Serial EEPROMs with user-configurable architecture and other advanced features targets applications such as cellular telephones and data communications.

MANUFACTURING

The ownership of our manufacturing resources is an important component of our business strategy, enabling us to maintain a high level of manufacturing control and to be one of the lowest cost producers in the embedded control industry. By owning our wafer fabrication and the majority of our test operations, and by employing proprietary statistical process control techniques, we have been able to achieve high production yields. Direct control over manufacturing resources allows us to shorten our design and production cycles. This control also allows us to capture the manufacturing and a portion of the assembly and testing profit margin. Wafer fabrication and wafer test facilities are located in Chandler, Arizona, which we refer to as Fab 1, and Tempe, Arizona, which we refer to as Fab 2. We perform product packaging and testing at our facilities located near Bangkok, Thailand. We also use third-party assembly and test contractors in several Asian countries.

Wafers are produced in Class 10 fabrication modules in Fab 1 and Fab 2. Fab 1 currently contains approximately 27,000 square feet of usable clean room space, while Fab 2 currently contains approximately 50,000 square feet of usable clean room space. Fab 1 currently produces 5- and 6-inch wafers, while Fab 2 currently produces 6-inch and 8-inch wafers. Wafer sort is performed in an 8,000 square foot, Class 10,000 clean room, equipped with automated wafer handlers and

test equipment. Fab 1 and Fab 2 are managed by the same management team and utilize similar production techniques.

During fiscal 2001, we intend to cease 5-inch wafer production, and, thereafter, Fab 1 will produce only 6-inch wafers. As part of our overall manufacturing rationalization plans, Fab 2 will produce only 8-inch wafers. By the end of fiscal 2001, 8-inch wafer production will represent approximately 78% of our total wafer fab capacity.

In support of our longer-term growth objectives, we recently signed an agreement to acquire a semiconductor manufacturing complex in Puyallup, Washington. We are currently conducting our due diligence investigation. Closing on the purchase is expected to occur by July 31, 2000. The Puyallup facility contains approximately 100,000 square feet of clean room space. We currently intend to commence installation of wafer processing equipment in October 2000, and we currently expect to commence volume production in August 2001. Initially, we will produce 8-inch wafers using our 0.7-micron and 0.5-micron process technologies.

We continue to transition products to smaller geometries and to larger wafer sizes to reduce future manufacturing costs. We also continue to increase our manufacturing capacity for 8-inch wafers and to transition products to our 0.7-micron process. Other companies in the industry have experienced difficulties in transitioning to larger wafers and to smaller geometries, resulting in reduced manufacturing yields or delays in product deliveries. We believe that our transition to smaller geometries and to larger wafers is important for us to remain competitive. Our future operating results could be reduced if the transition is substantially delayed or inefficiently implemented.

THE FOREGOING STATEMENTS RELATED TO THE CESSATION OF 5-INCH WAFER PRODUCTION, CAPACITY UTILIZATION OF FAB 1 AND FAB 2, 8-INCH WAFER PRODUCTION BY THE END OF THE FISCAL 2001, THE ANTICIPATED CLOSING DATE OF THE PUYALLUP TRANSACTION, AND THE TIMING OF EQUIPMENT INSTALLATION AND VOLUME PRODUCTION AT THE PUYALLUP FACILITY ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD

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DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: INCREASED OR DECREASED CUSTOMER DEMAND FOR OUR PRODUCTS; THE AVAILABILITY OF EQUIPMENT AND OTHER SUPPLIES; SUPPLY DISRUPTION; CHANGES IN PRODUCT MIX; COMPETITIVE PRESSURES ON PRICES; AND OTHER ECONOMIC CONDITIONS.

We currently employ proprietary design and manufacturing processes in developing our microcontroller and memory products. We believe our processes afford us both cost-effective designs in existing and derivative products and greater functionality in new product designs. While many of our competitors develop and optimize separate processes for their logic and memory product lines, we use a common process technology for both microcontroller and non-volatile memory products. This allows us to more fully absorb our process research and development costs and to deliver new products to market more rapidly. Our engineers utilize advanced CAD tools and software to perform circuit design, simulation and layout, and our in-house photomask and wafer fabrication facilities enable us to rapidly verify design techniques by processing test wafers quickly and efficiently.

Currently, our Thailand facility tests approximately 90% of the products produced in Fab 1 and Fab 2. The 200,000 square foot Thailand test facility currently has the capacity to handle up to 120 million units per month. The Thailand facility also assembles approximately 45% of the products produced in Fab 1 and Fab 2. During fiscal 2001, we intend to add additional assembly and test capacity at our Thailand facility in order to allow us to respond to customer demand. Several third-party contractors located throughout Asia fulfill the balance of our assembly requirements. Final product test and burn-in functions are handled by advanced automated equipment.

THE FOREGOING STATEMENT RELATED TO OUR INTENTION TO ADD ADDITIONAL ASSEMBLY AND TEST CAPACITY AT OUR THAILAND FACILITY IS A FORWARD LOOKING STATEMENT. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: CUSTOMER DEMAND FOR OUR PRODUCTS; DELAYS IN CONSTRUCTION AND FACILITIZATION OF THE ADDITIONAL ASSEMBLY AND TEST CAPACITY AT THE THAILAND FACILITY; THE AVAILABILITY OF EQUIPMENT AND OTHER SUPPLIES; SUPPLY DISRUPTION; LABOR UNREST; CHANGES IN PRODUCT MIX; COMPETITIVE PRESSURES ON PRICES; POLITICAL INSTABILITY AND EXPROPRIATION; AND OTHER ECONOMIC CONDITIONS.

At March 31, 2000, several third-party contractors located throughout Asia performed the majority of our assembly operations. Due primarily to cost, yield and cycle time considerations, we developed an in-house assembly operation during fiscal 2000 and shifted approximately 45% of our assembly operations to our Thailand facility. We will continue to depend on third-party contractors for the balance of our assembly requirements. Third-party assembly and test companies are experiencing high demand and utilization of their current capacity which could lead to capacity shortages in the industry.

THE FOREGOING STATEMENT RELATED TO THE CURRENT CAPACITY OF THIRD-PARTY ASSEMBLY AND TEST COMPANIES IS A FORWARD LOOKING STATEMENT. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: AVAILABILITY

OF SUFFICIENT CAPACITY OF THIRD-PARTIES; SUPPLY DISRUPTION; LABOR UNREST; CHANGES IN PRODUCT MIX; COMPETITIVE PRESSURES ON PRICES; POLITICAL INSTABILITY AND EXPROPRIATION; AND OTHER ECONOMIC CONDITIONS.

Our reliance on third parties involves some reduction in our level of control over the assembly and test portion of our business. While we review the quality, delivery and cost performance of these third-party contractors, our future operating results could suffer if any third-party contractor is unable to maintain assembly and test yields and costs at approximately their current levels. See also "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Gross Profit," at page 14.

Our reliance on foreign operations and maintenance of substantially all of our finished goods in inventory in foreign locations exposes us to foreign political and economic risks, including:

- * political, social and economic instability
- * trade restrictions and changes in tariffs
- * import and export license requirements and restrictions
- * difficulties in staffing and managing international operations
- * disruptions in international transport or delivery
- * fluctuations in currency exchange rates
- * difficulties in collecting receivables, and
- * potentially adverse tax consequences.

To date, we have not experienced any significant interruptions in our foreign business operations. If any of these risks materialize, our sales could decrease and our operations performance could suffer.

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Due to the high fixed costs inherent in semiconductor manufacturing, increased manufacturing yields can have significant positive effects on gross profit and overall operating results. During fiscal 2000, we continued to focus on manufacturing productivity, and maintained average wafer fab line yields in excess of 90%. Our manufacturing yields are primarily driven by a comprehensive implementation of statistical process control, extensive employee training and selective upgrading of our manufacturing facilities and equipment. Maintenance of manufacturing productivity and yields are important factors in the achievement of our operating results. The manufacture and assembly of integrated circuits, particularly non-volatile, erasable CMOS memory and logic devices, such as those that we produce, are complex processes. These processes are sensitive to a wide variety of factors, including the level of contaminants in the manufacturing environment, impurities in the materials used and the performance of our fabrication personnel and equipment. As is typical in the semiconductor industry, we have from time to time experienced lower than anticipated manufacturing yields. Our operating results will suffer if we are unable to maintain yields at approximately the current levels.

Our semiconductor manufacturing operations require raw materials and equipment that must meet exacting standards. We generally have more than one source for these supplies, but there are only a limited number of suppliers capable of delivering various raw materials and equipment that meet our standards. In addition, the raw materials and equipment necessary for our business could become more difficult to obtain as worldwide use of semiconductors increases. We have faced supply shortages from time to time in the past, and on occasion our suppliers have told us they need more time than expected to fill our orders. An interruption of any raw materials or equipment sources could harm our business.

RESEARCH AND DEVELOPMENT

Our current research and development, or R&D, activities focus on the design of new microcontroller, memory and mixed-signal products, ASSPs, new development systems, and software and application-specific software libraries. We are also developing new design and process technology to achieve further cost reductions and performance improvements in existing products. As of April 28, 2000, 335 employees were engaged in research and development. In fiscal 2000, our R&D expenses were \$45.6 million, as compared to \$40.8 million in fiscal 1999 and \$38.4 million in fiscal 1998.

We are committed to continuing our investment in new and enhanced products, including development systems software, and in our design and manufacturing process technology. We believe these investments are significant factors in maintaining our competitive position. Our future operating results will depend to a significant extent on our ability to develop and introduce new products on a timely basis which can compete effectively on the basis of price and performance and which address customer requirements. The success of new product introductions depends on various factors, including:

- * proper new product selection
- * timely completion and introduction of new product designs
- * development of support tools and collateral literature that make complex new products easy for engineers to understand and use, and
- * market acceptance of our customers' end products.

Because our products are complex, we have experienced delays from time to time in completing development of new products. In addition, our new products may not receive or maintain substantial market acceptance. We may be unable to design, develop and introduce competitive products on a timely basis, which could reduce our future operating results.

Our future success also depends upon our ability to develop and implement new design and process technologies. Semiconductor design and process technologies are subject to rapid technological change and require large research and development expenditures. Other companies in the industry have experienced difficulty in effecting transitions to smaller geometry processes and to larger wafers and, consequently, have suffered reduced manufacturing yields or delays in product deliveries. We believe that our transition to smaller geometries and to larger wafers is important for us to remain competitive. Our future operating results could be reduced if the transition is substantially delayed or inefficiently implemented.

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SALES AND DISTRIBUTION

We market our products worldwide through a direct sales organization and through distributors. In fiscal 2000, we derived 63% of our net sales from sales through distributors and 37% of our net sales from direct sales to original equipment manufacturers, referred to as OEM, customers.

Our direct sales force, currently consisting of 241 people, focuses on three geographical markets: the Americas, Europe and Asia. We currently maintain sales and support centers in major metropolitan areas in North America, Europe and Asia. A worldwide network of national and regional distributors augments our direct sales force.

Effective April 1, 2000, we terminated our contractual relationships with predominately all manufacturers' representatives in the Americas. We are currently adding additional resources to our existing direct sales force focusing on the Americas territories. We anticipate that all resources will be in place by June 30, 2000. See also the discussion on selling, general and administrative costs under "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Selling, General and Administrative," at page 16.

THE FOREGOING STATEMENTS RELATED TO THE ADDITION OF RESOURCES TO OUR AMERICAS' DIRECT SALES FORCE ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED SALES PERSONNEL; AND GENERAL ECONOMIC CONDITIONS.

We believe that a strong technical service presence is essential to the continued development of the embedded control market. The majority of our field sales engineers, referred to as FSEs, field application engineers, referred to as FAEs, and sales management have technical degrees and have been previously employed in an engineering environment. We believe that the technical knowledge of our sales force is a key competitive advantage in the sale of field programmable products. Currently, we have at least one dedicated FAE in every sales and support center. The primary mission of our FAE team is to provide technical assistance to OEM customers and to conduct periodic training sessions for FSEs, manufacturer's representatives and distributor sales teams. The FAEs also frequently conduct technical seminars in major cities around the world. FAEs also work closely with our distributors and manufacturer's representatives to provide technical assistance in end-user support and to assist in the sales process.

As is common in the semiconductor industry, we provide limited price protection to our distributors. Under our current policy, distributors receive a credit for the difference, at the time of a price reduction, between the price they were originally charged for products in inventory and the reduced price which we subsequently charge distributors. From time to time, and on a case-by-case basis, distributors may also receive credit for specific transactions that we approve in advance. We also grant some distributors limited rights to return products. We do not recognize net sales and profit on sales to distributors that have rights of return and price protection until those distributors have resold the products to end-customers.

Distributors accounted for 63% of our net sales to customers in fiscal 2000. Our largest distributor accounted for 14% of our total net sales for fiscal 2000. Generally, we do not have long-term agreements with our distributors and our distributors may terminate their relationship with us with little or no advanced notice. The loss of, or a disruption in the operations of, one or more of our distributors could reduce our future net sales in a given quarter and could result in an increase in inventory returns.

Foreign sales, primarily in Asia and Europe, represented 68% of our consolidated net sales in fiscal 2000, as compared to 69% in fiscal 1999 and 68% in fiscal 1998. International sales are predominately billed in U.S. Dollars. Although foreign sales are subject to certain government export restrictions, we have not experienced any material difficulties as a result of export

restrictions to date.

BACKLOG

As of April 28, 2000, our backlog was approximately \$212.7 million, as compared to \$73.8 million as of April 30, 1999. Our backlog includes all purchase orders scheduled for delivery within the subsequent 12 months.

We primarily produce standard products that can be shipped from inventory within a short time after we receive an order. Our business and, to a large extent, that of the entire semiconductor industry, is characterized by short-term orders and shipment schedules. Orders constituting our current backlog are subject to changes in delivery schedules, or to cancellation at the

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option of the purchaser without significant penalty. Thus, while backlog is useful for scheduling production, backlog as of any particular date may not be a reliable measure of sales for any future period. Orders received in a quarter for shipment in that quarter, which we refer to as turns orders, have become an increasingly important component of our quarterly operating results. Turns orders are more fully discussed in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Net Sales," at page 13.

COMPETITION

The semiconductor industry is intensely competitive and has been characterized by price erosion and rapid technological change. We compete with major domestic and international semiconductor companies, many of which have greater market recognition and greater financial, technical, marketing, distribution and other resources than we with which to pursue engineering, manufacturing, marketing and distribution of their products. Emerging companies may also increase their participation in the market for embedded control applications.

In addition, our ability to compete successfully depends on a number of factors both within and outside our control, including:

- * the quality, performance, reliability, features, ease of use, pricing and diversity of our products
- * the quality of our customer services and our ability to address the needs of our customers
- * our success in designing and manufacturing new products including those implementing new technologies
- * efficiency of production
- * adequate sources of raw materials and other supplies at acceptable prices
- * the rate at which customers incorporate our products into their own products
- * product introductions by our competitors
- * the number, nature and success of our competitors in a given market
- * general market and economic conditions, and
- * protection of our products and processes by effective utilization of intellectual property laws.

Furthermore, capacity in the semiconductor industry is increasing over time and such increased capacity or improved product availability could adversely affect our competitive position.

We currently compete principally on the basis of the technical innovation and performance of our embedded control products, including their speed, functionality, density, power consumption, reliability and packaging alternatives, as well as on price and product availability. We believe that other important competitive factors in the embedded control market include ease of use, functionality of application development systems and technical service and support. We believe that we compete favorably with other companies on all of these factors, but we may be unable to compete successfully in the future, which could harm our business.

Historically, average selling prices in the semiconductor industry decrease over the life of any particular product. The overall average selling prices of our microcontroller products have remained relatively constant, while average selling prices of our memory products have, until recently, declined over time. We have experienced, and expect to continue to experience, pricing pressure in certain microcontroller product lines, due primarily to competitive conditions. We have been able to maintain average selling prices by continuing to introduce new products with more features and higher prices, thereby offsetting price declines in older products. We may be unable to maintain average selling prices for our microcontroller or other products as a result of increased pricing pressure in the future, which would reduce our operating results.

PATENTS, LICENSES AND TRADEMARKS

Our success depends in part on our ability to obtain patents, licenses and other intellectual property rights covering our products and manufacturing

processes. As of March 31, 2000, we owned 110 U.S. patents and 35 foreign patents, expiring on various dates between 2005 and 2019, and had an additional 85 U.S. patent applications and 105 foreign patent applications pending. We intend to continue to seek patents on our inventions and manufacturing processes. The process of seeking patent protection can be long and expensive, and patents may not be issued from currently pending or future applications. In addition, our existing patents and any new patents that are issued may not be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. We may be subject to or may initiate interference proceedings in the U.S. Patent and Trademark Office, which can require significant financial and management resources. In addition, the laws of certain foreign countries do not protect our intellectual property rights to the same extent as the laws of

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the United States. We believe, however, that our continued success depends primarily on such factors as the technological skills and innovative abilities of our personnel rather than on our patents.

We have entered into certain intellectual property licenses and cross-licenses with other companies related to semiconductor products and manufacturing processes. As is typical in the semiconductor industry, we have from time to time received, and may in the future receive, communications alleging possible infringement of patents or other intellectual property rights of others. We investigate all such notices and respond as we believe is appropriate. Based on industry practice, we believe that in most cases we can obtain any necessary licenses or other rights on commercially reasonable terms, but we cannot assure that licenses would be on acceptable terms, that litigation would not ensue or that damages for any past infringement would not be assessed. Litigation, which could result in substantial cost to us and diversion of management effort, may be necessary to enforce our patents or other intellectual property rights, or to defend us against claimed infringement of the rights of others. The failure to obtain necessary licenses or other rights, or litigation arising out of infringement claims, could harm our business. See also "Item 3 - Legal Proceedings," at page 11.

ENVIRONMENTAL REGULATION

We must comply with many different federal, state and local governmental regulations related to the use, storage, discharge and disposal of toxic, volatile or otherwise hazardous chemicals used in our manufacturing processes, including the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendment and Reauthorization Act, the Clean Air Act and the Water Pollution Control Act. We believe that we have obtained all of the environmental permits required to conduct our business. Although we believe that our activities conform to presently applicable environmental regulations, our failure to comply with present or future regulations could result in the imposition of fines, suspension of production or a cessation of operations. Any regulation could require us to acquire costly equipment or to incur other significant expenses to comply with environmental regulations. While we have not experienced any materially adverse effects on our operations from governmental regulations, any failure by us to control the use of our adequately restrict the discharge of hazardous substances could subject us to future liabilities. Environmental problems may occur that could subject us to future costs or liabilities.

EMPLOYEES

As of April 28, 2000, we had 2,692 employees worldwide, including 1,923 in manufacturing, 335 in research and development, 295 in sales and marketing and 139 in finance and administration. Approximately 39% of our employees work at our Thailand facility. No employees in the U.S. or Thailand are represented by a labor organization. We have never had a work stoppage and believe that our employee relations are good.

Our success depends to a significant extent upon the efforts and abilities of our senior management, engineering and other personnel. The competition for qualified engineering and management personnel is intense. We may be unsuccessful in retaining our existing key personnel or in attracting and retaining additional key personnel that we require. The loss of the services of one or more of our key personnel or the inability to add key personnel could harm our business. We have no employment agreements with any member of our senior management team.

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EXECUTIVE OFFICERS

The following sets forth certain information regarding our executive officers as of May 31, 2000:

<TABLE> <CAPTION>		
Name	Age	Position
- - - - -	---	-----
<S>	<C>	<C>
Steve Sanghi	44	Chairman of the Board, President and Chief Executive Officer

Timothy B. Billington	57	Vice President, Manufacturing and Technology Group
Mitchell R. Little	47	Vice President, Americas Sales
Gordon W. Parnell	50	Vice President, Chief Financial Officer
George P. Rigg	60	Vice President, Advanced Microcontroller and Systems Group

</TABLE>

Mr. Sanghi has been President since August 1990, CEO since October 1991, and Chairman of the Board since October 1993. He has served as a director since August 1990. Mr. Sanghi holds an M.S. degree in Electrical and Computer Engineering from the University of Massachusetts and a B.S. degree in Electronics and Communication from Punjab University, India.

Mr. Billington has served as Vice President, Manufacturing and Technology Group since November 1998. From October 1994 to November 1998, he served as Vice President, Manufacturing Operations. Mr. Billington holds a B.S. degree in marketing from Abilene Christian University.

Mr. Little has served as Vice President, Americas Sales since April 1998. From November 1995 to April 1998, he served as Vice President, Standard Microcontroller and ASSP Division. From September 1993 to November 1995, he served as Vice President, Memory Products and ASSP Division. Mr. Little holds a BSET from United Electronics Institute.

Mr. Parnell has served as Vice President and Chief Financial Officer since May 2000. He served as Vice President, Controller and Treasurer from April 1993 to May 2000. Mr. Parnell holds a finance/accounting qualification with the Association of Certified Accountants from Edinburgh College, Scotland.

Mr. Rigg has served as Vice President, Advanced Microcontroller and Systems Group since March 1997. From November 1995 to March 1997, he served as Vice President, Advanced Microcontroller and Technology Division. From June 1989 to November 1995, he served as Vice President, Logic Products Division. Mr. Rigg holds a B.S. degree in Physics from Manchester University, England.

ITEM 2. PROPERTIES

Our current headquarters, research and development center and Fab 1 are located in three buildings totaling approximately 242,000 square feet situated on a 77-acre parcel of land in Chandler, Arizona. We are presently constructing a 203,000 square foot addition which is scheduled to be completed by September 30, 2001. This area will house additional research and development resources. A second U.S. manufacturing site consisting of Fab 2, office and warehouse facilities and a development systems center, totaling approximately 253,000 square feet, is situated on a 22-acre parcel of land in Tempe, Arizona. We are presently constructing a 126,000 square feet expansion of our manufacturing capacity at Fab 2 which is to be completed by December 31, 2000. We own the Chandler and Tempe facilities.

We also own a final test and assembly facility located near Bangkok, Thailand. The Thailand final test and assembly operations are housed in a 200,000 square foot facility that is owned by our Thailand subsidiary, and are located in the Alphatechnopolis Industrial Park in Chacherngsao, Thailand, near Bangkok. The Thailand facility is situated on land to which we expect to acquire title in accordance with an agreement between us and the landowner. To date, progress towards obtaining the full title has been hampered by the financial crisis in Thailand. At this time it is not possible to estimate when full title transfer will be completed.

To support our sales and distribution activities as described above at page 7 under "Item 1 - Business - Sales and Distribution," we lease space for 29 sales and support centers in major metropolitan areas in the United States, Europe and Asia. Our aggregate monthly rental payment for our leased facilities is approximately \$129,000.

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We currently believe that our existing facilities, together with the additional capacity presently under construction in Chandler and Tempe, Arizona, and Thailand, will be adequate to meet our requirements for the next 12 months. In support of our longer-term growth objectives, we recently signed an agreement to acquire a semiconductor manufacturing complex in Puyallup, Washington. We are currently conducting our due diligence investigation. Closing on the purchase is expected to occur by July 31, 2000. Please see the discussion on the Puyallup facility under "Part I - Business - Manufacturing," at page 4.

THE FOREGOING STATEMENTS RELATED TO EXPECTED COMPLETION DATES OF OUR EXPANSION PROJECTS AT OUR CHANDLER, TEMPE AND THAILAND FACILITIES, ACQUISITION OF TITLE TO THE LAND ON WHICH THE THAILAND FACILITY IS SITUATED, THE ADEQUACY OF FACILITIES FOR THE NEXT 12 MONTHS, AND THE TIMING OF THE CLOSING OF THE PURCHASE OF THE PUYALLUP FACILITY, ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: DELAYS IN CONSTRUCTION; THE AVAILABILITY OF EQUIPMENT AND OTHER SUPPLIES; SUPPLY DISRUPTION; LABOR UNREST; CHANGES IN PRODUCT MIX; THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY AND THE MARKETS ADDRESSED BY OUR PRODUCTS; DEMAND FOR OUR PRODUCTS; FLUCTUATIONS IN PRODUCTION YIELDS, PRODUCTION EFFICIENCIES AND OVERALL CAPACITY UTILIZATION; COMPETITIVE PRESSURES ON PRICES; POLITICAL INSTABILITY AND

EXPROPRIATION; AND OTHER ECONOMIC CONDITIONS.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are involved in a limited number of legal actions, both as plaintiff and defendant, and could incur uninsured liability in any one or more of them. Although the outcome of these actions is not presently determinable, we believe that the ultimate resolution of these matters will not harm our business. Litigation relating to the semiconductor industry is not uncommon, and we are, and from time to time, have been, subject to such litigation. No assurances can be given with respect to the extent or outcome of any such litigation in the future. See "Item 1 - Business - Patents, Licenses and Trademarks," at page 8, above.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

Not applicable.

PART II

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

Our Common Stock is traded on the NASDAQ National Market under the symbol "MCHP." The Common Stock has been quoted on the NASDAQ National Market since March 19, 1993. The following table sets forth the quarterly high and low closing prices of the Common Stock as reported by the NASDAQ National Market for the last two years, adjusted to reflect a 3-for-2 stock split effected in February 2000:

Fiscal 2000	High	Low	Fiscal 1999	High	Low
- - - - -	----	---	- - - - -	----	---
First Quarter	\$ 33.63	\$ 22.46	First Quarter	\$ 21.17	\$ 13.89
Second Quarter	39.79	31.25	Second Quarter	22.25	12.21
Third Quarter	48.71	34.08	Third Quarter	26.13	12.25
Fourth Quarter	72.25	40.17	Fourth Quarter	27.25	18.08

On June 5, 2000, the closing sale price for the Common Stock was \$63.63 per share. As of such date, there were approximately 480 holders of record of the Common Stock. This figure does not reflect beneficial ownership of shares held in nominee names.

We have not paid any cash dividends since our inception. We currently anticipate that we will retain all of our future earnings for use in the expansion and operation of our business. Thus, we do not anticipate paying any cash dividends on our capital stock in the foreseeable future.

The market price of our Common Stock has fluctuated significantly in the past and is likely to fluctuate in the future. The future trading price of our Common Stock could be subject to wide fluctuations in response to a variety of factors, many of which are beyond our control, including:

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- * quarterly variations in our operating results and the operating results of other semiconductor companies
- * actual or anticipated announcements of technical innovations or new products by us or our competitors
- * changes in analysts' estimates of our financial performance or buy/sell recommendations
- * general conditions in the semiconductor industry, and
- * worldwide economic and financial conditions.

In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the market prices for many high technology companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations and other factors may harm the market price of our Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data for the five-year period ended March 31, 2000 in conjunction with our Consolidated Financial Statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Form 10-K. Our consolidated income statement data for each of the years in the three year period ended March 31, 2000, and the balance sheet data as of March 31, 2000 and 1999, are derived from our audited consolidated financial statements, included in Item 8 of this Form 10-K.

<TABLE>

<CAPTION>

(in thousands, except per share data)	Year Ended March 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>

Income Statement Data:

Net sales	\$ 495,729	\$ 406,460	\$ 396,894	\$ 334,252	\$ 285,888
Cost of sales	237,985	203,574	199,538	167,330	137,708
Research and development	45,571	40,787	38,362	32,073	27,517
Selling, general and administrative...	76,743	63,006	67,549	56,248	48,903
Special income (expense)	(2,400)	28,937	5,000	7,544	11,448
Operating income	137,830	70,156	86,445	71,057	60,312
Interest income (expense), net	1,184	(2,210)	1,505	(1,852)	(947)
Other income, net	770	665	217	288	569
Income before income taxes	139,784	68,611	88,167	69,493	59,934
Provision for income taxes	37,740	18,523	23,799	18,361	16,182
Net income	\$ 102,044	\$ 50,088	\$ 64,368	\$ 51,132	\$ 43,752
Basic net income per share	\$ 1.33	\$ 0.65	\$ 0.80	\$ 0.66	\$ 0.57
Diluted net income per share	\$ 1.25	\$ 0.62	\$ 0.76	\$ 0.62	\$ 0.53
Basic common shares outstanding	76,489	76,704	80,064	77,354	76,125
Diluted common shares outstanding	81,354	80,292	84,470	82,025	81,800

As of March 31,

Balance Sheet Data:

	2000	1999	1998	1997	1996
Working capital.....	\$196,813	\$ 93,780	\$ 55,171	\$ 91,176	\$ 55,855
Total assets.....	812,411	505,230	524,743	428,092	358,187
Long-term obligations, less current...					
Portion.....	918	25,000	8,768	5,999	33,250
Stockholders' equity.....	624,296	358,797	367,308	316,584	219,632

</TABLE>

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

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of net sales for the years indicated:

	Year Ended March 31,		
	2000	1999	1998
Net sales	100.0%	100.0%	100.0%
Cost of sales	48.0%	50.1%	50.3%
Gross profit	52.0%	49.9%	49.7%
Research and development	9.2%	10.0%	9.7%
Selling, general and administrative	15.5%	15.5%	17.0%
Special (income)/charge	(0.5)%	7.1%	1.2%
Operating income	27.8%	17.3%	21.8%

NET SALES

Our net sales of \$495.7 million in fiscal 2000 increased by \$89.2 million, or 22.0%, over fiscal 1999, and net sales of \$406.5 million in fiscal 1999 increased by \$9.6 million, or 2.4%, over fiscal 1998.

Our microcontroller product line represents the largest component of our total net sales. Microcontrollers and associated application development systems accounted for 80% of our total net sales in fiscal 2000, 76% of our total net sales in fiscal 1998 and 68% of our total net sales in fiscal 1999. A related component of our product sales consists primarily of Serial EEPROM memories which accounted for 20% of our total net sales in fiscal 2000, 24% of our total net sales in fiscal 1999 and 32% of our total net sales in fiscal 1998.

Our net sales in any given quarter depend upon a combination of orders received in that quarter for shipment in that quarter, which we refer to as turns orders, and shipments from backlog. The percentage of turns orders has fluctuated over the last three years. Currently, we are experiencing turns orders at the lowest point of the historical range for net sales requirements. Despite the recent improvement in the turns orders requirement from our business, turns orders are difficult to predict, and we may not experience the combination of turns orders and shipments from backlog in any quarter that would be sufficient to achieve anticipated growth in net sales. If we do not achieve a sufficient level of turns orders in a particular quarter, our revenues and operating results would be adversely affected.

Historically, average selling prices in the semiconductor industry decrease over the life of any particular product. The overall average selling prices of our microcontroller products have remained relatively constant, while average selling prices of our memory products have, until recently, declined over time.

We have experienced, and expect to continue to experience, pricing pressure in certain microcontroller product lines, due primarily to competitive conditions. We have been able to maintain average selling prices by continuing to introduce new products with more features and higher prices, thereby offsetting price declines in older products. We may be unable to maintain average selling prices for our microcontroller or other products as a result of increased pricing pressure in the future, which would reduce our operating results.

THE FOREGOING STATEMENTS REGARDING TURNS ORDERS, AVERAGE SELLING PRICES AND PRICING PRESSURES ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: THE LEVEL OF ORDERS THAT ARE RECEIVED AND CAN BE SHIPPED IN A QUARTER; INVENTORY MIX AND TIMING OF CUSTOMER ORDERS; COMPETITION AND COMPETITIVE PRESSURES ON PRICING AND PRODUCT AVAILABILITY; CUSTOMERS' INVENTORY LEVELS, ORDER PATTERNS AND SEASONALITY; THE CYCLICAL NATURE OF BOTH THE SEMICONDUCTOR INDUSTRY AND THE MARKETS ADDRESSED BY THE COMPANY'S PRODUCTS; MARKET ACCEPTANCE OF THE PRODUCTS OF BOTH THE COMPANY AND ITS CUSTOMERS; DEMAND FOR THE COMPANY'S PRODUCTS; FLUCTUATIONS IN PRODUCTION YIELDS, PRODUCTION EFFICIENCIES AND OVERALL CAPACITY UTILIZATION; CHANGES IN PRODUCT MIX; AND ABSORPTION OF FIXED COSTS, LABOR AND OTHER FIXED MANUFACTURING COSTS.

Distributors accounted for 63% of our net sales to customers in fiscal 2000, 59% of our net sales to customers in fiscal 1999 and 53% of our net sales to customers in fiscal 1998. Sales to foreign customers represented 68% of our total net sales in fiscal 2000, 69% of our total net sales in fiscal 1999 and 68% of our total net sales in fiscal 1998. Our sales to foreign customers have been predominantly in Asia and Europe, which we attribute to the manufacturing

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strength in those areas for consumer, automotive, office automation, communications and industrial products. The majority of foreign sales are U.S. Dollar denominated. We enter into hedging transactions from time to time to minimize exposure to currency rate fluctuations. Although none of the countries in which we conduct significant foreign operations have had a highly inflationary economy in the last five years, there is no assurance that inflation rates or fluctuations in foreign currency rates in countries where we conduct operations will not adversely affect our operating results in the future.

Our quarterly operating results are affected by a wide variety of factors that could reduce our net sales and profitability, many of which are beyond our control. Some of the factors that may affect our operating results include:

- * the level of orders that are received and can be shipped in a quarter (turns orders)
- * market acceptance of both our products and our customers' products
- * customer order patterns and seasonability
- * availability of manufacturing capacity and fluctuations in manufacturing yield
- * the availability and cost of raw materials, equipment and other supplies, and
- * economic, political and other conditions in the worldwide markets served by us.

We believe that period-to-period comparisons of our operating results are not necessarily meaningful and that you should not rely upon any comparisons as indications of future performance. In future periods, our operating results may fall below the expectations of public market analysts and investors, which would likely have a negative effect on the price of our Common Stock.

GROSS PROFIT

In fiscal years 2000, 1999 and 1998, our gross profit was \$257.7 million, \$202.9 million and \$197.4 million, respectively. Gross profit as a percent of sales was 52.0% in fiscal 2000, 49.9% in fiscal 1999 and 49.7% in fiscal 1998. The most significant factor affecting gross profit percentage in each of these years was the higher growth rate of microcontrollers and associated application development systems relative to our Serial EEPROM memory products. We continue to transition products to smaller geometries and to larger wafer sizes to reduce future manufacturing costs. We continue to increase our manufacturing capacity for 8-inch wafers and to transition products to our 0.7-micron process. In fiscal 2000, products produced on 8-inch wafers grew from 37% at the beginning of the fiscal year to 55% at the end of the fiscal year. We anticipate that gross product margins will fluctuate over time, driven primarily by the product mix of microcontroller products and related memory products, manufacturing yields, fixed cost absorption, wafer fab loading levels and competitive and economic conditions.

We believe that expansion of our manufacturing capacity is important to enable us to respond to increased sales opportunities and maintain satisfactory delivery schedules. Our business could suffer if the expansion of manufacturing capacity is delayed or inefficiently implemented. Other companies in the industry have experienced difficulty in expanding manufacturing capacity, resulting in reduced yields or delays in product deliveries. We may experience manufacturing yield or delivery problems in the future, which could harm our

operating results.

THE FOREGOING STATEMENTS RELATING TO ANTICIPATED GROSS PRODUCT MARGINS, THE TRANSITION TO HIGHER YIELDING MANUFACTURING PROCESSES AND THE EXPANSION OF OUR MANUFACTURING CAPACITY ARE FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: FLUCTUATIONS IN PRODUCTION YIELDS, PRODUCTION EFFICIENCIES AND OVERALL CAPACITY UTILIZATION; COST AND AVAILABILITY OF RAW MATERIALS; ABSORPTION OF FIXED COSTS, LABOR AND OTHER DIRECT MANUFACTURING COSTS; THE ABILITY TO INCREASE MANUFACTURING CAPACITY AS NEEDED; THE TIMING AND SUCCESS OF MANUFACTURING PROCESS TRANSITION; DEMAND FOR OUR PRODUCTS; COMPETITION AND COMPETITIVE PRESSURE ON PRICING; CHANGES IN PRODUCT MIX; AND OTHER ECONOMIC CONDITIONS.

Currently, the majority of our assembly operations, and a portion of our test requirements, are performed by third-party contractors located throughout Asia. Our reliance on third parties involves some reduction in our level of control over these portions of our business. While we review the quality, delivery and cost performance of these third-party contractors, there can be no assurance that reliance on third-party contractors will not adversely impact results in future reporting periods if any third-party contractor is unable to maintain assembly and test yields and costs at approximately their current levels. Third-party assembly and test companies are experiencing high demand and utilization of their current capacity which could lead to capacity shortages in the industry. Accordingly, we are in the process of implementing in-house assembly operations and have shifted a portion of our assembly operations from third-party contractors to fill this capacity. As of the end of fiscal 2000, approximately 45% of our assembly requirements was being performed in our Thailand facility. We are dependent on third-party contractors for the balance of our requirements.

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THE FOREGOING STATEMENTS RELATED TO CAPACITY AT THIRD-PARTY ASSEMBLY AND TEST COMPANIES ARE FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: TIMING AND SUCCESS OF THE TRANSITION FROM THIRD PARTY ASSEMBLY SERVICES PROVIDERS TO IN-HOUSE ASSEMBLY OPERATIONS; DELAY IN THE FACILITATION OF OUR IN-HOUSE ASSEMBLY OPERATIONS; DIFFICULTIES IN THE TRANSITION OF THE ASSEMBLY FUNCTION FROM THIRD PARTIES TO OUR IN-HOUSE FACILITY; AVAILABILITY OF SUFFICIENT CAPACITY OF THIRD-PARTIES; SUPPLY DISRUPTION; LABOR UNREST; CHANGES IN PRODUCT MIX; COMPETITIVE PRESSURES ON PRICES; AND OTHER ECONOMIC CONDITIONS.

Our reliance on foreign operations, and maintenance of substantially all of our finished goods in inventory in foreign locations exposes us to foreign political and economic risks, including:

- * political, social and economic instability
- * trade restrictions and changes in tariffs
- * import and export license requirements and restrictions
- * difficulties in staffing and managing international operations
- * disruptions in international transport or delivery
- * fluctuations in currency exchange rates
- * difficulties in collecting receivables, or
- * potentially adverse tax consequences.

To date, we have not experienced any significant interruptions in our foreign business operations. If any of these risks materialize, our sales could decrease and our operations performance could suffer.

RESEARCH AND DEVELOPMENT

We are committed to continuing our investment in new and enhanced products, including development systems software and in our design and manufacturing process technology. We believe these investments are significant factors in maintaining our competitive position. The dollar investment in research and development in fiscal 2000 increased by 11.7% from the 1999 fiscal year, and by 6.3% from fiscal 1999 compared to fiscal 1998.

Our future operating results will depend to a significant extent on our ability to develop and introduce new products on a timely basis which can compete effectively on the basis of price and performance and which address customer requirements. The success of new product introductions depends on various factors, including:

- * proper new product selection
- * timely completion and introduction of new product designs
- * development of support tools and collateral literature that make complex new products easy for engineers to understand and use, and
- * market acceptance of our customers' end products.

Because our products are complex, we have experienced delays from time to time in completing development of new products. In addition, our new products may not receive or maintain substantial market acceptance. We may be unable to design, develop and introduce competitive products on a timely basis, which could reduce our future operating results.

Our future success also depends upon our ability to develop and implement new design and process technologies. Semiconductor design and process technologies are subject to rapid technological change and require large research and development expenditures. Other companies in the industry have experienced difficulty in effecting transitions to smaller geometry processes and to larger wafers and, consequently, have suffered reduced manufacturing yields or delays in product deliveries. We believe that our transition to smaller geometries and to larger wafers is important for us to remain competitive. Our future operating results could be reduced if the transition is substantially delayed or inefficiently implemented.

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SELLING, GENERAL AND ADMINISTRATIVE

During fiscal 2000, we increased our level of selling, general and administrative costs to \$76.7 million as compared to \$63.0 million in fiscal 1999 and \$67.5 million in fiscal 1998. Selling, general and administrative costs represented 15.5% of sales in fiscal 2000 as compared to 15.5% and 17.0% of sales in the previous two fiscal years. Effective April 1, 2000, we terminated our contractual relationships with predominately all manufacturers' representatives in the Americas. We are currently adding additional resources to our existing direct sales force focusing on the Americas territories. We anticipate that all resources will be in place by June 30, 2000. We believe that this transition can be completed without affecting operating results, however, there can be no assurance that we can attract and retain qualified personnel according to this timeline. Termination costs of \$0.6 million associated with this business change were included in operating expenses in the quarter ended March 31, 2000. We expect selling, general and administrative costs to rise over time as we continue to invest in incremental worldwide sales and technical support resources to promote our embedded control products.

THE FOREGOING STATEMENTS RELATED TO THE ADDITION OF RESOURCES TO OUR AMERICAS' DIRECT SALES FORCE ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED SALES PERSONNEL; AND GENERAL ECONOMIC CONDITIONS.

OTHER INCOME (EXPENSE)

Interest income in fiscal 2000 increased from fiscal 1999 as a result of higher invested cash balances, and decreased from fiscal 1998 as a result of lower invested cash balances. Interest expense in fiscal 2000 decreased over fiscal 1999 and 1998 due to lower borrowing levels associated with the Company's credit facilities. Other income represents numerous immaterial non-operating items.

PROVISION FOR INCOME TAXES

Provisions for income taxes reflect tax on foreign earnings and federal and state tax on U.S. earnings. We had an effective tax rate of 27.0% for the years ended March 31, 2000, 1999 and 1998, respectively, due primarily to lower tax rates at our foreign locations. We believe that our tax rate for the foreseeable future will be approximately 27%.

THE FOREGOING STATEMENT REGARDING THE COMPANY'S ANTICIPATED FUTURE TAX RATE IS A FORWARD-LOOKING STATEMENT. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: CURRENT TAX LAWS AND REGULATIONS; TAXATION RATES IN GEOGRAPHIC REGIONS WHERE WE HAVE SIGNIFICANT OPERATIONS; AND CURRENT TAX HOLIDAYS AVAILABLE IN FOREIGN LOCATIONS.

YEAR 2000 ISSUE

The Year 2000 issue arose as a result of certain computer programs being written using two digits rather than four to define the applicable year. To date, we have not experienced problems complying with Year 2000 issues, nor have we experienced any material Year 2000-related issues or had any Year 2000-related issues reported to us by our business partners. Should any Year 2000 issues occur at a later time, however, we believe they would most likely be able to be resolved in the normal course of business.

EURO CONVERSION ISSUES

We operate in the European Market and currently generate approximately one third of our total net sales from customers located in Europe. Our commercial headquarters in Europe are located in the United Kingdom, which is not currently one of the eleven member states of the European Union converting to a common currency.

We currently conduct 98% of our business in Europe in U.S. Dollars and 1% of our business in Europe in Pounds Sterling. The balance of our net sales is conducted in currencies which will eventually be replaced by the Euro. We will monitor the potential commercial impact of converting a portion of our current business to the Euro, but we do not currently anticipate any material impact to our business based on this transition. We do not currently anticipate any material impact to our business related to Euro matters from information

LIQUIDITY AND CAPITAL RESOURCES

We had \$188.1 million in cash and cash equivalents at March 31, 2000, an increase of \$157.3 million from the March 31, 1999 balance. During the fiscal year ended March 31, 2000, and through May 31, 2000, we maintained an unsecured line of credit with a syndicate of domestic banks totaling \$90.0 million. Borrowings under the domestic line of credit as of March 31, 2000 were \$9.0 million. We were required to achieve certain financial ratios and operations results to maintain the domestic line of credit. We were in compliance with these covenants at March 31, 2000. We also maintain an unsecured short-term line of credit totaling \$36.4 million with certain foreign banks. There were no borrowings under the foreign line of credit as of March 31, 2000. There are no covenants related to the foreign line of credit. At March 31, 2000, an aggregate of \$124.5 million of these facilities was available, subject to financial covenants and ratios with which we were in compliance. Our ability to fully utilize these facilities was dependent on our remaining in compliance with such covenants and ratios.

On May 31, 2000, we entered into a new unsecured revolving credit facility with a syndicate of banks totaling \$100.0 million. We can elect to increase the facility to \$150.0 million, subject to certain conditions set forth in the credit agreement. This new facility has a termination date of May 31, 2003. This facility replaces the \$90.0 million line of credit described above. We are required to achieve certain financial ratios and operations results to maintain this line of credit. Our ability to fully utilize this credit facility is dependent on our being in compliance with such covenants and ratios.

During the year ended March 31, 2000, we generated \$239.7 million of cash from operating activities, an increase of \$137.1 million from the year ended March 31, 1999, and an increase of \$103.2 million from the year ended March 31, 1998. The increase in cash flow from operations during fiscal year 1999 was primarily due to increased profitability, the impact of special charges, and the impact of changes in accounts payable, and accrued liabilities and other assets and liabilities.

Our level of capital expenditures varies from time to time as a result of actual and anticipated business conditions. Capital expenditures were \$212.4 million in fiscal 2000, \$39.6 million in fiscal 1999 and \$145.3 million in fiscal 1998. Capital expenditures were primarily for the expansion of production capacity and the addition of research and development equipment in each of these periods. We currently intend to spend approximately \$510 million during the next 12 months for additional capital, including:

- * equipment to increase capacity at our existing wafer fabrication facilities
- * acquisition of the Puyallup, Washington semiconductor manufacturing complex
- * expansion of product test operations
- * development of in-house assembly capability, and
- * incremental infrastructure to support the growth of the business.

We expect to finance capital expenditures through our cash flows from operations, available debt arrangements and other sources of financing including issuance of equity and debt securities depending on market conditions. We believe that the capital expenditures anticipated to be incurred over the next 12 months will provide sufficient additional manufacturing capacity to meet our currently anticipated needs. In support of our longer-term growth objectives, we recently signed an agreement to acquire a semiconductor manufacturing complex in Puyallup, Washington. Closing on the purchase is expected to occur by July 31, 2000. Please see the discussion on the Puyallup facility under " Part I - Business - Manufacturing," at page 4, above.

THE FOREGOING STATEMENTS REGARDING THE ANTICIPATED LEVEL OF CAPITAL EXPENDITURES OVER THE NEXT 12 MONTHS, THE FINANCING OF SUCH CAPITAL EXPENDITURES AND THE ANTICIPATED CLOSING DATE OF THE PURCHASE OF THE PUYALLUP SEMICONDUCTOR MANUFACTURING COMPLEX, ARE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY BECAUSE OF THE FOLLOWING FACTORS, AMONG OTHERS: THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY AND THE MARKETS ADDRESSED BY OUR PRODUCTS; MARKET ACCEPTANCE OF OUR PRODUCTS AND OF OUR CUSTOMERS' PRODUCTS; DEMAND FOR OUR PRODUCTS; UTILIZATION OF CURRENT MANUFACTURING CAPACITY; THE AVAILABILITY AND COST OF RAW MATERIALS, EQUIPMENT AND OTHER SUPPLIES; AND THE ECONOMIC, POLITICAL AND OTHER CONDITIONS IN THE WORLDWIDE MARKETS SERVED BY US.

Net cash provided by financing activities was \$130.0 million for the year ended March 31, 2000. Net cash used in financing activities was \$64.4 million for the year ended March 31, 1999 and \$2.1 million for the year ended March 31, 1998. Proceeds from sale of stock and put options were \$149.3 million for the year ended March 31, 2000, \$16.0 million for the year ended March 1999 and \$12.5 million for the year ended March 31, 1998. Payments on long term debt and capital lease obligations were \$1.8 million in fiscal 2000, \$4.4 million in fiscal 1999 and \$6.1 in fiscal 1998. Repayments on lines of credit were \$17.5 million for the year ended March 31, 2000. Net proceeds from lines of credit

were \$3.5 million in fiscal 1999 and \$23.0 in fiscal 1998. Cash expended for the purchase of our Common Stock was \$79.5 million in fiscal 1999 and \$31.5 million in fiscal 1998.

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During the year ended March 31, 1999, we purchased 4,271,250 shares of Common Stock at an aggregate cost of \$70,324,000. During the year ended March 31, 2000, we received 345,863 shares and in the year ended March 31, 1999, we received 1,832,145 shares in conjunction with a net share settled forward contract. We also received \$10,243,000 in conjunction with a net share settled forward contract, which was credited to additional paid in capital. See Note 13 to "Consolidated Financial Statements." The net share settled forward contract could obligate us to purchase shares of our Common Stock in the future if the price of our Common Stock is below the strike price of the instruments. Also, in connection with a stock repurchase program, during fiscal 1999, we sold put options for 900,000 shares of Common Stock at pricing per share which ranged from \$14.87 to \$18.33. During fiscal 1999, we purchased put options for 75,000 shares of Common Stock. The net proceeds from the sale and repurchase of these options, in the amount of \$2,113,000 for fiscal 1999, has been credited to additional paid-in capital. During the year ended March 31, 1999, put options for 375,000 shares of Common Stock were purchased at the settlement dates at a total cost of \$9,188,000. As of March 31, 2000, we had no outstanding put options. During the year ended March 31, 1999, we completed two transactions in connection with the stock repurchase program. In April 1998, we completed a costless collar transaction involving call options for 750,000 shares of Common Stock priced at \$17.30 and put options for 997,500 shares of Common Stock priced at \$16.79. The expiration date of the transaction was April 28, 1999, resulting in us receiving \$4,600,000 which was credited to additional paid in capital. Also, in connection with the stock repurchase program, we completed a net share settled forward contract for 3,000,000 shares of Common Stock at an average price of \$19.49 per share. The expiration date of this transaction is May 2001 with quarterly interim settlement dates.

We expect from time to time to purchase shares of Common Stock in connection with its authorized stock purchase program. We will also have cash requirements associated with our purchase and facilitization of the Puyallup semiconductor manufacturing complex, which is described under " Part I - Business - Manufacturing," at page 4, above.

We believe that our existing sources of liquidity combined with cash generated from operations will be sufficient to meet our currently anticipated cash requirements for at least the next 12 months. However, the semiconductor industry is capital intensive. In order to remain competitive, we must continue to make significant investments in capital equipment, for both production and research and development. We may seek additional equity or debt financing during the next 12 months for the capital expenditures required to acquire, maintain or expand our wafer fabrication and product test facilities, or other purposes. The timing and amount of any such capital requirements will depend on a number of factors, including demand for our products, product mix, changes in industry conditions and competitive factors. There can be no assurance that such financing will be available on acceptable terms, and any additional equity financing could result in additional dilution to existing investors.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In March 2000, the Financial Accounting Standards Board, referred to as FASB, issued FASB interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," referred to as FIN No. 44. FIN No. 44 clarifies the application of APB Opinion No. 25 by clarifying the definition of an employee, the determination of noncompensatory plans and the effect of modifications to stock options. We do not believe the adoption of FIN No. 44 will impact our financial statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our investment portfolio, consisting of fixed income securities, was \$189.6 million as of March 31, 2000, and \$15.6 million as of March 31, 1999. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. If market rates were to increase immediately and uniformly by 10% from the levels of March 31, 2000 and March 31, 1999, the decline in the fair value of our investment portfolio would not be material. Additionally, we have the ability to hold our fixed income investments until maturity and, therefore, we would not expect to recognize an adverse impact in income or cash flows.

We have international operations and are thus subject to foreign currency rate fluctuations. To date, our exposure related to exchange rate volatility has not been significant. If the foreign currency rates fluctuate by 15% from the rates at March 31, 2000 and March 31, 1999, the effect on our financial position and results of operation would not be material.

During the normal course of business we are routinely subjected to a variety of market risks, examples of which include, but are not limited to, interest rate movements and foreign currency fluctuations, as we discuss in this

Item 7A, and collectability of accounts receivable. We constantly assess these risks and have established policies and procedures to protect against the adverse effects of these and other potential exposures. Although we do not anticipate any material losses in these risk areas, no assurance can be made that material losses will not be incurred in these areas in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements listed in the index appearing under Item 14(a)(1) hereof are filed as part of this Form 10-K. See also Index to Financial Statements on page F-1 hereof.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information on the member of our board of directors is incorporated herein by reference to our proxy statement for the 2000 annual meeting of stockholders under the caption "Election of Directors."

Information on our executive officers is provided in Item I, Part I of this Form 10-K under the caption "Executive Officers" at page 10, above. Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference to our proxy statement for the 2000 annual meeting of stockholders under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is incorporated herein by reference to the information under the caption "Executive Compensation" in our proxy statement for the 2000 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the information under the caption "Security Ownership of Principal Stockholders, Directors and Executive Officers" in our proxy statement for the 2000 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the caption "Certain Transactions" in our proxy statement for the 2000 annual meeting of stockholders.

19 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:

Page No.

(1) Financial Statements:

Independent Auditors' Report	F-1
Consolidated Balance Sheets as of March 31, 2000 and 1999	F-2
Consolidated Statements of Income for each of the years in the three-year period ended March 31, 2000	F-3
Consolidated Statements of Cash Flows for each of the years in the three-year period ended March 31, 2000	F-4
Consolidated Statements of Stockholders' Equity for each of the years in the three-year period ended March 31, 2000	F-5
Notes to Consolidated Financial Statements	F-6

(2) Financial Statement Schedules - Applicable schedules have been omitted because information is included in the footnotes to the

Financial Statements.

- (3) The Exhibits which are filed with this Form 10-K or which are incorporated herein by reference are set forth in the Exhibit Index which appears on page E-1 hereof, which Exhibit Index is incorporated herein by this reference.

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- (b) We filed a current report on Form 8-K on January 14, 2000 to report:

- A 3-for-2 stock split in the form of a stock dividend, and
- Our results for the quarter ended December 31, 1999.

- (c) See Item 14(a) (3) above.

- (d) See "Index to Financial Statements" included under Item 8 to this Form 10-K.

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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.

MICROCHIP TECHNOLOGY INCORPORATED
(Registrant)

By: /s/ Steve Sanghi

Steve Sanghi

President and Chief Executive Officer

Date: June 7, 2000

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.

Name and Signature - -----	Title -----	Date ----
/s/ Steve Sanghi - ----- Steve Sanghi	Director, President and Chief Executive Officer	June 7, 2000
- ----- Albert J. Hugo-Martinez*	Director	June 7, 2000
- ----- L. B. Day*	Director	June 7, 2000
- ----- Matthew W. Chapman*	Director	June 7, 2000
- ----- Wade F. Meyercord*	Director	June 7, 2000
/s/ Gordon W. Parnell - ----- Gordon W. Parnell	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 7, 2000
*By: /s/ Steve Sanghi - ----- Steve Sanghi	Individually and as Attorney-in-fact	June 7, 2000

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EXHIBIT INDEX

Exhibit No. - -----	Description -----
3.1	Restated Certificate of Incorporation of Registrant [Incorporated by reference to Exhibit 3.1 to Registration Statement No. 33-70608]
3.1.1	Certificate of Amendment to Registrant's Restated Certificate of Incorporation [Incorporated by reference to Exhibit 3.3.1 to

the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1994]

- 3.1.2 Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Registrant [Incorporated by reference to Exhibit No. 3.1.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1995]
- 3.1.3 Certificate of Amendment to Registrant's Restated Certificate of Incorporation [Incorporated by reference to Exhibit No. 1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995]
- 3.1.4 Certificate of Amendment to Registrant's Certificate of Incorporation [Incorporated by reference to Exhibit No. 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997]
- 3.2 Amended and Restated By-Laws of Registrant, as amended through August 20, 1999 [Incorporated by reference to Exhibit No. 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999]
- 4.1 Amended and Restated Preferred Shares Rights Agreement, dated as of October 11, 1999, between Registrant and Norwest Bank Minnesota, N.A., including the Amended Certificate of Designations, the form of Rights Certificate and the Summary of Rights, attached as exhibits thereto [Incorporated by reference to Exhibit No. 1 to Registrant's Registration Statement on Form 8-A as filed with the Securities and Exchange Commission as of October 12, 1999]
- 10.1 Form of Indemnification Agreement between Registrant and its directors and certain of its officers [Incorporated by reference to Exhibit No. 10.1 to Registration Statement No. 33-57960]
- 10.2 Amended and Restated 1989 Stock Option Plan [Incorporated by reference to Exhibit No. 10.14 to Registration Statement No. 33-57960]
- 10.3 1993 Stock Option Plan, as amended through April 25, 1997 [Incorporated by reference to Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1997]
- 10.4 Form of Notice of Grant For 1993 Stock Option Plan, with Exhibit A thereto, Form of Stock Option Agreement; and Exhibit B thereto, Form of Stock Purchase Agreement [Incorporated by reference to Exhibit No. 10.6 Registration Statement No. 333-872]
- 10.5 Employee Stock Purchase Plan, as amended through April 25, 1997 [Incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1997]
- E-1
- 10.6 Form of Stock Purchase Agreement for Employee Stock Purchase Plan [Incorporated by reference to Exhibit No. 10.2 to Registration Statement No. 333-872]
- 10.7 Form of Enrollment Form For Employee Stock Purchase Plan [Incorporated by reference to Exhibit No. 10.3 to Registration Statement No. 333-872]
- 10.8 Form of Change Form For Employee Stock Purchase Plan [Incorporated by reference to Exhibit No. 10.4 to Registration Statement No. 333-872]
- 10.9 Form of Executive Officer Severance Agreement [Incorporated by reference to Exhibit No. 10.7 to Registration Statement No. 333-872]
- 10.10 Credit Agreement dated as of May 31, 2000 among Registrant, the Banks named therein, Bank One, NA, as LC Issuer and Administrative Agent, Wells Fargo Bank, National Association, as Syndication Agent and Bank of America, N.A., as Documentation Agent
- 10.11 Development Agreement dated as of August 29, 1997 by and between Registrant and the City of Chandler, Arizona [Incorporated by reference to Exhibit No. 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended December

31, 1997]

- 10.12 Development Agreement dated as of July 17, 1997 by and between Registrant and the City of Tempe, Arizona [Incorporated by reference to Exhibit No. 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997]
- 10.13 1997 Nonstatutory Stock Option Plan [Incorporated by reference to Exhibit No. 10.16 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1998]
- 10.14 Form of Notice of Grant For 1997 Nonstatutory Stock Option Plan, with Exhibit A thereto, Form of Stock Option Agreement [Incorporated by reference to Exhibit No. 10.17 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1998]
- 10.15 International Employee Stock Purchase Plan as Amended Through April 25, 1997 [Incorporated by reference to Exhibit 10 to Registration Statement No. 333-40791]
- 18.1 Letter from KPMG Peat Marwick LLP re: Change in Accounting Principles [Incorporated by reference to Exhibit No. 18.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997]
- 21.1 Subsidiaries of Registrant
- 23.1 Consent of KPMG LLP
- 24.1 Power of Attorney re: Microchip Technology Incorporated, the Registrant

E-2

Annual Report on Form 10-K

Item 8, Item 14(a)(1) and (2), (c) and (d)

INDEX TO FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

EXHIBITS

YEAR ENDED MARCH 31, 2000

MICROCHIP TECHNOLOGY INCORPORATED
AND SUBSIDIARIES

CHANDLER, ARIZONA
MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

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Microchip Technology Incorporated:

We have audited the accompanying consolidated balance sheets of Microchip Technology Incorporated and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Microchip Technology Incorporated and subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2000, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Phoenix, Arizona
April 19, 2000

F-1
MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands except share amounts)

ASSETS

	March 31, 2000	March 31, 1999
	-----	-----
Cash and cash equivalents	\$ 188,112	\$ 30,826
Accounts receivable, net	75,911	62,545
Inventories	59,461	67,975
Prepaid expenses	3,523	2,982
Deferred tax asset	35,549	37,129
Other current assets	2,257	1,958
	-----	-----
Total current assets	364,813	203,415
Property, plant and equipment, net	439,030	293,663
Other assets	8,568	8,152
	-----	-----
Total assets	\$ 812,411	\$ 505,230
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Short-term lines of credit	\$ 9,000	\$ 1,509
Accounts payable	67,861	28,489
Current maturities of long-term debt	--	1,403
Current maturities of capital lease obligations	--	413
Accrued liabilities	36,879	49,699
Deferred income on shipments to distributors	54,760	28,607
	-----	-----
Total current liabilities	168,500	110,120
Long-term lines of credit	--	25,000
Long-term pension accrual	918	--
Deferred tax liability	18,697	11,313

Stockholders' equity:

Preferred stock, \$.001 par value; authorized 5,000,000 shares; no shares issued or outstanding	--	--
Common stock, \$.001 par value; authorized 100,000,000 shares; issued 80,822,013 and outstanding 78,907,553 shares at March 31, 2000; issued 80,822,013 and outstanding 76,848,236 shares at March 31, 1999	81	81
Additional paid-in capital	318,341	161,215
Retained earnings	366,325	264,281

Less shares of common stock held in treasury at cost; 1,914,460 shares at March 31, 2000 and 3,973,778 at March 31, 1999	(60,451)	(66,780)
	-----	-----
Net stockholders' equity	624,296	358,797
Total liabilities and stockholders' equity	\$ 812,411	\$ 505,230
	=====	=====

See accompanying notes to consolidated financial statements.

F-2
MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands except share amounts)

	Years Ended March 31,		
	2000	1999	1998
	-----	-----	-----
Net sales	\$ 495,729	\$ 406,460	\$ 396,894
Cost of sales	237,985	203,574	199,538
	-----	-----	-----
Gross profit	257,744	202,886	197,356
Operating expenses:			
Research and development	45,571	40,787	38,362
Selling, general and administrative	76,743	63,006	67,549
Special (income)/charges	(2,400)	28,937	5,000
	-----	-----	-----
	119,914	132,730	110,911
Operating income	137,830	70,156	86,445
Other income (expense):			
Interest income	2,232	754	2,635
Interest expense	(1,048)	(2,964)	(1,130)
Other, net	770	665	217
	-----	-----	-----
Income before income taxes	139,784	68,611	88,167
Income taxes	37,740	18,523	23,799
	-----	-----	-----
Net income	\$ 102,044	\$ 50,088	\$ 64,368
	=====	=====	=====
Basic net income per share	\$ 1.33	\$ 0.65	\$ 0.80
	=====	=====	=====
Diluted net income per share	\$ 1.25	\$ 0.62	\$ 0.76
	=====	=====	=====
Weighted average common shares outstanding	76,489	76,704	80,064
	=====	=====	=====
Weighted average common and common equivalent shares outstanding	81,354	80,292	84,470
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands except share amounts)

<TABLE>

<CAPTION>

	Years Ended March 31,		
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 102,044	\$ 50,088	\$ 64,368
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	936	335	638
Provision for inventory valuation	870	3,464	2,126
Provision for pension accrual	295	1,037	1,202
Special charges	--	20,017	5,000

Depreciation and amortization	66,995	64,851	53,468
Amortization of purchased technology	1,477	300	300
Deferred income taxes	8,964	1,689	(9,423)
Tax benefit from exercise of stock options	14,175	4,915	5,332
Decrease (increase) in accounts receivable	(14,302)	(6,560)	4,144
Decrease (increase) in inventories	7,644	(5,146)	(11,606)
Increase (decrease) in accounts payable and accrued liabilities	26,552	(24,797)	12,828
Change in other assets and liabilities	24,043	(7,556)	8,164
	-----	-----	-----
Net cash provided by operating activities	239,693	102,637	136,541
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(212,362)	(39,640)	(145,301)
	-----	-----	-----
Net cash used in investing activities	(212,362)	(39,640)	(145,301)
	-----	-----	-----
Cash flows from financing activities:			
Net proceeds from (repayments of) lines of credit	(17,509)	3,509	23,000
Payments on long-term debt	(1,403)	(2,213)	(2,470)
Payments on capital lease obligations	(413)	(2,141)	(3,605)
Repurchase of common stock	--	(79,512)	(31,481)
Proceeds from sale of stock and put options	149,280	15,998	12,505
	-----	-----	-----
Net cash provided by (used in) financing activities	129,955	(64,359)	(2,051)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	157,286	(1,362)	(10,811)
Cash and cash equivalents at beginning of year	30,826	32,188	42,999
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 188,112	\$ 30,826	\$ 32,188
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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MICROCHIP TECHNOLOGY
INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

(in thousands)	Common Stock and Additional Paid-in Capital		Common Stock held in Treasury		Net Retained Earnings		Net Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount	Amount	
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance March 31, 1997	79,952	\$ 168,238	157	\$ (1,479)	\$149,825	\$ 316,584	
Sale of Stock							
Exercise of stock options	1,167	5,972	--	--	--	5,972	
Employee stock purchase plan	260	4,318	--	--	--	4,318	
Purchase of treasury stock	--	--	1,916	(31,481)	--	(31,481)	
Issuance of treasury stock for the exercise of options and purchases in the employee stock purchase plan	(557)	(9,156)	(557)	9,156	--	--	
Sale of put options, net	--	2,215	--	--	--	2,215	
Tax benefit from exercise of options	--	5,332	--	--	--	5,332	
Net income	--	--	--	--	64,368	64,368	
	-----	-----	-----	-----	-----	-----	
Balance March 31, 1998	80,822	\$ 176,919	1,517	\$ (23,804)	\$214,193	\$ 367,308	
Sale of Stock							
Exercise of stock options	1,416	9,906	--	--	--	9,906	
Employee stock purchase plan	329	3,979	--	--	--	3,979	
Purchase of treasury stock	--	--	4,992	(79,512)	--	(79,512)	
Issuance of treasury stock for the exercise of options, purchases in the employee stock purchase plan and net share settled forward contract	(1,745)	(36,536)	(2,535)	36,536	--	--	
Sale of put options, net	--	2,113	--	--	--	2,113	
Tax benefit from exercise of options	--	4,915	--	--	--	4,915	
Net income	--	--	--	--	50,088	50,088	
	-----	-----	-----	-----	-----	-----	
Balance March 31, 1999	80,822	\$ 161,296	3,974	\$ (66,780)	\$264,281	\$ 358,797	

Sale of Stock						
Public offering (net of offering costs of \$456)	1,898	114,011	--	--	--	114,011
Exercise of stock options	1,722	15,859	--	--	--	15,859
Employee stock purchase plan	274	4,567	--	--	--	4,567
Net share settled forward	--	10,243	1,834	(--)	--	10,243
Issuance of treasury stock for the exercise of options, purchases in the employee stock purchase plan and public offering	(3,894)	(6,329)	(3,894)	6,329	--	--
Tax benefit from exercise of options	--	14,175	--	--	--	14,175
Costless collar settlement	--	4,600	--	--	--	4,600
Net income	--	--	--	--	102,044	102,044
	-----	-----	-----	-----	-----	-----
Balance March 31, 2000	80,822	\$ 318,422	1,914	\$ (60,451)	\$366,325	\$ 624,296
	=====	=====	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements

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MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

We develop and manufacture specialized semiconductor products used by our customers for a wide variety of embedded control applications. Our product portfolio comprises microcontrollers; application-specific standard products, referred to as ASSPs; and related mixed signal and memory products. We market our products to the consumer, automotive, office automation, communications and industrial markets.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Microchip Technology Incorporated and its wholly owned subsidiaries ("Microchip" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

All highly liquid investments including marketable securities purchased with an original maturity of three months or less are considered to be cash equivalents. There were no marketable securities at March 31, 1999.

INVENTORIES

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets which range from three to twenty-five years.

Assets acquired under capital lease arrangements have been recorded at the present value of the future minimum lease payments and are being amortized on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter. Amortization of this equipment is included in depreciation and amortization expense.

FOREIGN CURRENCY TRANSLATION AND FORWARD CONTRACTS

The Company's foreign subsidiaries are considered to be extensions of the U.S. Company and any translation gains and losses related to these subsidiaries are included in income. As the U.S. Dollar is utilized as the functional currency, gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiaries' functional currency) are also included in income. Gains and losses associated with currency rate changes on forward contracts are recorded currently in income.

REVENUE RECOGNITION

Revenue from product sales to direct customers is recognized upon shipment and transfer of title. The Company defers recognition of profits on sales to distributors that have rights of return and price protection until the

distributors have resold the products.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled.

COMPUTATION OF NET INCOME PER SHARE

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128, EARNINGS PER SHARE ("SFAS No. 128"). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate restated, to conform to the SFAS No. 128 requirements.

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IMPAIRMENT OF LONG-LIVED ASSETS

The Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

STOCK OPTION PLANS

Prior to April 1, 1996, the Company accounted for its stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. As such, compensation expense would be recorded only if, on the date of grant, the current market price of the underlying stock exceeded the exercise price. On April 1, 1996, the Company adopted SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, ("SFAS No. 123") which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in fiscal 1996 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

USE OF ESTIMATES

The Company has made a number of estimates and assumptions relating to the reporting assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain 1999 and 1998 fiscal year balances have been reclassified to conform to the fiscal year 2000 presentation.

2. SPECIAL CHARGES

LEGAL SETTLEMENT WITH LUCENT TECHNOLOGIES INC.

On January 13, 1998, the Company finalized a settlement of its patent litigation with Lucent Technologies Inc. resulting in the Company recording a \$5,000,000 special charge during the quarter ended December 31, 1997. Under the terms of the settlement, Microchip made a one-time cash payment to Lucent and issued to Lucent warrants to acquire 450,000 shares of Common Stock of the Company priced at \$16.83 per share. The terms of the settlement also provide for the Company to make a contingent payment to Lucent if the Company's earnings per share performance for the three and one-half year period ending June 30, 2001 does not meet certain targeted levels. Based on the estimate of earnings per share for the measurement period as of March 31, 1999 we provided appropriate reserves to meet this liability. Due to the sale of the warrant by the holder the associated reserve became unnecessary and we recorded a special income of \$3,600,000 in the quarter ended September 30, 1999. We also recorded a special charge related to other legal issues in the amount of \$1,200,000 in the quarter ended September 30, 1999.

RESTRUCTURING CHARGES

The Company implemented two restructuring actions to position the Company for future cost effective growth. During the March 1999 quarter, the Company completed closure of its 5-inch wafer line which represented the Company's least flexible and least cost-effective production capacity. This action resulted in a restructuring charge of \$7,561,000 in the March 1999 quarter. The Company also decided to restructure its test operations by closing its Kaohsiung facility and migrating its test capacity to its lower-cost, Thailand facility. This action resulted in a restructuring charge of \$6,089,000 in the March 1999 quarter.

Included in the restructuring charges resulting from elimination of the 5-inch production capacity was \$6,758,000 related to equipment that was written off, \$310,000 related to employee severance costs and \$493,000 related to other restructuring costs. Included in the restructuring charges resulting from the closure of the Kaohsiung facility was \$5,579,000 related to employee severance costs and \$510,000 related to other restructuring costs.

Included in the special charge the Company recorded in the March 1999 quarter was \$1,805,000 related to two legal settlements associated with intellectual property matters, and \$350,000 related to restructure of a portion of the Company's sales infrastructure.

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During the quarter ended June 30, 1998, the Company recognized a special charge of \$5,500,000 which was comprised of three elements: a \$3,300,000 legal settlement with another company involving an intellectual property dispute; a \$1,700,000 write-off of products obsoleted by the introduction of newer products; and a \$500,000 charge associated with the restructuring of a portion of the Company's sales organization.

ACQUISITIONS

KEELOQ(R) HOPPING CODE

On November 17, 1995, the Company acquired the Keeloq(R) hopping code technology and patents developed by Nanoteq Ltd. of the Republic of South Africa, and the marketing rights related thereto (the "Keeloq Acquisition"). The Keeloq Acquisition was treated as an asset purchase for accounting purposes. The amount paid for the Keeloq Acquisition, including all related costs, was \$12,948,000. The Company has written off a substantial portion of the purchase price that relates to in-process research and development costs, which is consistent with the Company's ongoing treatment of research and development costs, as well as all Keeloq Acquisition-related costs. The special charge associated with the Keeloq Acquisition was \$11,448,000, with the balance treated as purchased technology and amortized on a straight line basis over five years. Under the terms of the Keeloq Acquisition, the Company agreed to a secondary payment which has been determined to be \$10,250,000, net of legal expenses of \$1,107,000. The Company has determined that \$4,250,000 will be treated as purchased technology and amortized over the remaining expected life of the revenue stream of the Keeloq products. Under the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG LIVED ASSETS AND FOR LONG LIVED ASSETS TO BE DISPOSED OF, the balance of the payment including the residual asset value capitalized as part of the initial payment has been written off as part of the special charge made by the Company in the quarter ended March 31, 1999. The total amount expensed as part of the special charge in the quarter ended March 31, 1999 was \$7,632,000.

3. CONTINGENCIES

The Company is subject to lawsuits and other claims arising in the ordinary course of its business. In the Company's opinion, based on consultation with legal counsel, as of March 31, 2000, the effect of such matters will not have a material adverse effect on the Company's financial position.

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4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following (amounts in thousands):

	March 31,	
	2000	1999
Trade accounts receivable	\$ 77,945	\$ 64,335
Other	703	570
	78,648	64,905
Less allowance for doubtful accounts	2,737	2,360

\$ 75,911	\$ 62,545
=====	=====

5. INVENTORIES

The components of inventories are as follows (amounts in thousands):

	March 31,	
	2000	1999
Raw materials	\$ 7,724	\$ 4,491
Work in process	35,914	46,947
Finished goods	22,873	26,531
	-----	-----
	66,511	77,969
Less allowance for inventory valuation	7,050	9,994
	-----	-----
	\$59,461	\$67,975
	=====	=====

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (amounts in thousands):

	March 31,	
	2000	1999
Land	\$ 11,545	\$ 11,545
Building and building improvements	90,069	77,600
Machinery and equipment	479,509	365,947
Projects in process	100,293	41,143
	-----	-----
	681,416	496,235
Less accumulated depreciation and amortization	242,386	202,572
	-----	-----
	\$439,030	\$293,663
	=====	=====

7. LONG-TERM DEBT

The Company has an unsecured line of credit with a syndicate of U.S. banks for up to \$90,000,000, bearing interest the LIBOR plus .325% expiring in October 2000. The Company had utilized \$9,000,000 and \$25,000,000 of this line of credit as of March 31, 2000 and 1999, respectively. The agreement between the Company and the syndicate of banks requires the Company to

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achieve certain financial ratios and operating results. The Company was in compliance with these covenants as of March 31, 2000.

On May 31, 2000, we entered into a new unsecured revolving credit facility with a syndicate of banks totaling \$100.0 million. We can elect to increase the facility to \$150.0 million, subject to certain conditions set forth in the credit agreement. This new facility has a termination date of May 31, 2003. This facility replaces the \$90.0 million line of credit described above. We are required to achieve certain financial ratios and operations results to maintain this line of credit. Our ability to fully utilize this credit facility is dependent on our being in compliance with such covenants and ratios.

The Company has an additional unsecured line of credit with various Taiwan financial institutions for up to \$36,431,000 (U.S. Dollar equivalent). These borrowings are predominantly denominated in U.S. Dollars, bearing interest at the Singapore Interbank Offering Rate (SIBOR) 6.515% at March 31, 2000 plus 0.372% (average) and expiring on various dates through March 31, 2001. At March 31, 1999 the Company had utilized \$1,509,000 of this line of credit. There were no borrowings against this line of credit as of March 31, 2000, but an allocation of \$1,934,000 of the available line was made, relating to import guarantees associated with the Company's business in Thailand.

8. EMPLOYEE BENEFIT PLANS

The Company maintains a contributory profit-sharing plan for a majority of its domestic employees meeting certain service requirements. The plan qualifies under Section 401(k) of the Internal Revenue Code of 1986, as

amended, and allows employees to contribute up to 15% of their compensation, subject to maximum annual limitations prescribed by the Internal Revenue Service. The Company shall make a matching contribution of up to 25% of the first 4% of the participant's eligible compensation and may award up to an additional 25% under the discretionary match. All matches are provided on a quarterly basis and require the participant to be an active employee at the end of each quarter. For the fiscal years ended March 31, 2000, 1999 and 1998, the Company contributions to the plan totaled \$689,000, \$445,000 and \$525,000, respectively. The Company's Employee Stock Purchase Plan (the "Purchase Plan") allows eligible employees of the Company to purchase shares of Common Stock at semi-annual intervals through periodic payroll deductions. The purchase price per share, in general, will be 85% of the lower of the fair market value of the Common Stock on the participant's entry date into the offering period or 85% of the fair market value on the semi-annual purchase date. As of March 31, 2000, 483,891 shares were available for issuance under the Purchase Plan. In May 2000, subject to stockholder approval, the Board reserved an additional 200,000 shares of Common Stock for issuance under the Purchase Plan. Since the inception of the Purchase Plan, 5,559,000 shares of Common Stock have been reserved for issuance under the Purchase Plan. During fiscal 1995, a purchase plan was adopted for employees in non-U.S. locations. Such plan allows for the purchase price per share to be 100% of the lower of the fair market value of the Common Stock on the beginning or end of the semi-annual purchase plan period.

Effective January 1, 1997, the Company adopted a non-qualified deferred compensation arrangement. This plan is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management as defined in ERISA Sections 201, 301 and 401. There are no Company matching contributions with respect to this plan.

Employees in certain foreign locations are covered by a statutory pension plan. Contributions are accrued based on an actuarially determined percentage of compensation and are funded in amounts sufficient to meet statutory requirements. Pension expense amounted to \$295,000, \$1,037,000, and \$1,202,000 for the years ended March 31, 2000, 1999 and 1998, respectively.

The Company has a management incentive compensation plan which provides for bonus payments, based on a percentage of base salary, from an incentive pool created from operating profits of the Company, at the discretion of the Board of Directors. During the years ended March 31, 2000, 1999 and 1998, \$5,137,000, \$2,220,000 and \$1,851,000, respectively, was charged against operations for this plan.

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The Company also has a plan which provides a cash bonus based on the operating profits of the Company for all employees, at the discretion of the Board of Directors. During the years ended March 31, 2000, 1999 and 1998, \$2,556,000, \$607,000 and \$1,746,000, respectively, was charged against operations for this plan.

9. STOCK OPTION PLANS

Under the Company's stock option plans (the "Plans"), key employees, non-employee directors and consultants may be granted incentive stock options or non-statutory stock options to purchase shares of Common Stock at a price not less than 100% of the fair value of the option shares on the grant date. Options granted under the Plans vest over the period determined by the Board of Directors at the date of grant, at periods ranging from one year to four years. At March 31, 2000, there were 5,977,140 shares available for grant under the Plans. The per share weighted average fair value of stock options granted under the Plans for the years ended March 31, 2000, 1999 and 1998 was \$15.59, \$6.87 and \$10.41, respectively, based on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Years Ended March 31,		
	2000	1999	1998
	----	----	----
Expected life (years)	4.29	3.96	3.64
Risk-free interest rate	6.00%	5.10%	5.75%
Volatility	67%	68%	62%
Dividend yield	0%	0%	0%

Under the Plans, 30,596,219 shares of Common Stock had been reserved for issuance since the inception of the Plans.

The stock option activity is as follows:

Options Outstanding

Shares	Weighted Average Exercise Price
--------	------------------------------------

Outstanding at March 31, 1997	9,536,508	\$ 8.33
Granted	2,447,732	18.53
Exercised	(1,167,627)	5.15
Canceled	(1,510,172)	17.33
Outstanding at March 31, 1998	9,306,441	\$ 9.89
Granted	1,985,408	15.19
Exercised	(1,416,524)	6.96
Canceled	(516,859)	19.29
Outstanding at March 31, 1999	9,358,466	\$ 11.22
Granted	2,445,707	26.45
Exercised	(1,721,603)	9.14
Canceled	(261,676)	17.56
Outstanding at March 31, 2000	9,820,894	\$ 15.22

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The following table summarizes information about the stock options outstanding at March 31, 2000.

<TABLE>

<CAPTION>

	Range Exercise Price	Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
<S>		<C>	<C>	<C>	<C>	<C>
\$ 0.020 - \$ 1.605		253,156	2.83	1.35	253,156	1.35
\$ 2.642 - \$ 4.741		1,228,604	3.47	4.74	1,228,604	4.74
\$ 5.062 - \$ 9.148		867,755	4.26	8.96	867,755	8.96
\$ 9.703 - \$ 11.222		1,182,763	6.22	11.20	79,725	10.93
\$ 11.333 - \$ 11.333		603,230	6.08	11.33	321,351	11.33
\$ 11.389 - \$ 14.083		1,432,439	7.88	13.92	221,793	13.11
\$ 14.333 - \$ 16.555		983,745	7.16	14.95	283,462	15.55
\$ 17.125 - \$ 21.042		855,874	7.58	19.90	239,696	19.47
\$ 22.583 - \$ 22.583		1,717,693	9.04	22.58	6,735	22.58
\$ 23.417 - \$ 61.906		695,635	9.39	35.95	26,560	31.53
\$ 0.020 - \$ 61.906		9,820,894	6.78	15.22	3,528,837	8.90

</TABLE>

At March 31, 2000 and 1999, the number of options exercisable was 3,528,837 and 3,759,173, respectively, and the weighted-average exercise price of those options was \$8.90 and \$6.97 respectively.

The Company received a tax benefit of \$14,175,000, \$4,915,000 and \$5,332,000 for the years ended March 31, 2000, 1999 and 1998, respectively, from the exercise of non-qualified stock options and the disposition of stock acquired with incentive stock options or through the Purchase Plan. For financial reporting purposes, the tax effect of this deduction is accounted for as a credit to additional paid-in capital rather than as a reduction of income tax expense.

The Company applies APB Opinion No. 25 in accounting for its various stock plans and, accordingly, no compensation cost has been recognized for the Plans or the Purchase Plan in the financial statements. Had the Company determined compensation cost in accordance with SFAS No. 123, the Company's net income per share would have been reduced to the pro forma unaudited amounts indicated below:

		Years Ended March 31,		
		2000	1999	1998
Net income	As reported	\$102,044	\$50,088	\$64,368
	Pro forma	84,440	42,199	58,040
Basic net income per share	As reported	\$ 1.33	\$ 0.65	\$ 0.80
	Pro forma	1.10	0.55	0.72
Diluted net income per share	As reported	\$ 1.25	\$ 0.62	\$ 0.76
	Pro forma	1.04	0.52	0.69

Pro forma net income reflects only options granted during the fiscal years ended March 31, 2000, 1999, 1998, 1997 and 1996. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to April 1, 1995 is not considered.

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10. LEASE COMMITMENTS

The Company leases office space, transportation and other equipment under capital and operating leases, which expire at various dates through November 2007. The future minimum lease commitments under these leases are payable as follows (amounts in thousands):

Year ended March 31, -----	Operating Leases -----
2001	\$ 1,506
2002	1,347
2003	1,106
2004	759
2005	381
Thereafter	896

Total minimum payments	\$ 5,995 =====

Rental expense under operating leases totaled \$2,909,000, \$2,759,000 and \$2,811,000 for the years ended March 31, 2000, 1999 and 1998, respectively.

11. INCOME TAXES

The provision for income taxes is as follows (amounts in thousands):

	Years Ended March 31, -----		
	2000 -----	1999 -----	1998 -----
Current expense:			
Federal	\$19,132	\$ 8,405	\$ 22,575
State	2,126	934	2,508
Foreign	7,518	7,495	8,139
	-----	-----	-----
	28,776	16,834	33,222
	-----	-----	-----
Deferred expense (benefit):			
Federal	6,697	1,413	(6,315)
State	744	157	(702)
Foreign	1,523	119	(2,406)
	-----	-----	-----
	8,964	1,689	(9,423)
	-----	-----	-----
	\$37,740	\$ 18,523	\$ 23,799
	=====	=====	=====

The tax benefit associated with the exercise of employee stock options reduced taxes currently payable by \$14,175,000, \$4,915,000 and \$5,332,000 for the years ended March 31, 2000, 1999 and 1998, respectively. These amounts were credited to additional paid in capital in each of the three fiscal years.

The provision for income taxes differs from the amount computed by applying the statutory federal tax rate to income before income taxes. The sources and tax effects of the differences are as follows (amounts in thousands):

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	Years Ended March 31, -----		
	2000 -----	1999 -----	1998 -----
Computed expected provision	\$ 48,924	\$ 24,014	\$ 30,858
State income taxes, net of federal benefit	1,902	1,289	1,630
Foreign sales corporation benefit	(2,968)	(2,824)	(3,707)

Foreign income taxed at lower than the federal rate	(10,118)	(3,956)	(4,982)
	-----	-----	-----
	\$ 37,740	\$ 18,523	\$ 23,799
	=====	=====	=====

Pretax income from foreign operations was \$56,283,000, \$29,787,000 and \$39,554,000 for the years ended March 31, 2000, 1999 and 1998, respectively. Unremitted foreign earnings that are considered to be permanently invested outside the United States and on which no deferred taxes have been provided, amounted to approximately \$234,633,000 at March 31, 2000.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (amounts in thousands):

	March 31,	
	2000	1999
	-----	-----
Deferred tax assets:		
Intercompany profit in inventory	\$ 8,520	\$ 15,474
Deferred income on shipments to distributors	19,181	9,884
Inventory reserves	412	3,921
Accrued expenses and other	7,436	7,850
	-----	-----
Gross deferred tax assets	35,549	37,129
	-----	-----
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation	(18,697)	(11,313)
	-----	-----
Gross deferred tax liability	(18,697)	(11,313)
	-----	-----
Net deferred tax asset	\$ 16,852	\$ 25,816
	=====	=====

Management believes that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The Company is currently benefiting from a tax holiday from its Thailand manufacturing operations. The aggregate dollar benefits derived from the tax holiday approximated \$12,378,000, \$5,121,000 and \$5,614,000 for the years ended March 31, 2000, 1999 and 1998, respectively. The benefit the tax holiday had on net income per share approximated \$0.15, \$0.06 and \$0.07 for the years ended March 31, 2000, 1999 and 1998, respectively. The Company's tax holiday status in Thailand will partially expire in September 2003.

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12. ACCRUED LIABILITIES

Accrued liabilities consists of the following (amounts in thousands):

	March 31,	
	2000	1999
	-----	-----
Accrued salaries and wages	\$ 7,649	\$11,437
Income taxes	9,261	5,654
Keeloc acquisition	--	10,250
Other accrued expenses	19,969	22,358
	-----	-----
	\$36,879	\$49,699
	=====	=====

13. STOCKHOLDERS' EQUITY

STOCKHOLDER RIGHTS PLAN. Effective October 11, 1999, the Company adopted an Amended and Restated Preferred Shares Rights Agreement (the "Amended Rights Agreement"). The Amended Rights Agreement amends and restates the Preferred Share Rights Agreement adopted by the Company as of February 13, 1995 (the "Prior Rights Agreement"). Under the Prior Rights Agreement, on February 13, 1995, the Company's Board of Directors declared a dividend of one right (a "Right") to purchase one one-hundredth of a share of the Company's

Series A Participating Preferred Stock ("Series A Preferred") for each outstanding share of Common Stock, \$.001 par value, of the Company. The dividend was payable on February 24, 1995 to stockholders of record as of the close of business on that date.

The Amended Rights Agreement supersedes the Prior Rights Agreement as originally executed. Under the Amended Rights Agreement, each Right enables the holder to purchase from the Company one one-hundredth of a share of Series A Preferred at a purchase price of one hundred and sixty six dollars and sixty seven cents (\$166.67) (the "Purchase Price"), subject to adjustment. The rights become exercisable and transferable upon the occurrence of certain events.

STOCK REPURCHASE ACTIVITY. In connection with a stock repurchase program, during the year ended March 31, 1999, the Company purchased a total of 4,271,250 shares of the Company's Common Stock in open market activities at a total cost of \$70,324,000. During the years ended March 31, 2000 and 1999, the Company received 345,863 and 1,832,145 shares in conjunction with the net share settled forward contract. During the year ended March 31, 2000, the Company also received \$10,243,000 in conjunction with the net share settled forward contract, which was credited to additional paid-in capital. Also, in connection with a stock repurchase program, during fiscal 1999 the Company sold put options for 900,000 shares of Common Stock at pricing per share which ranged from \$14.87 to \$18.33. During fiscal 1999, the Company purchased put options for 75,000 shares. The net proceeds from the sale and repurchase of these options, in the amount of \$2,113,000 for fiscal 1999 has been credited to additional paid-in capital. During the year ended March 31, 1999, put options for 375,000 shares were purchased at the settlement dates at a total cost of \$9,188,000. As of March 31, 2000, the Company had no outstanding put options.

During the year ended March 31, 1999, the Company completed two transactions in connection with the stock repurchase program. In April 1998, the Company completed a costless collar transaction involving call options for 750,000 shares of Common Stock priced at \$17.30 and put options for 997,500 shares of Common Stock priced at \$16.79. The expiration date of the transaction was April 28, 1999, resulting in the Company receiving \$4,600,000 which was credited to additional paid in capital. Also in connection with the stock repurchase program, the Company completed a net share settled forward contract for 3,000,000 shares at an average price of \$19.49. The expiration date of this transaction is May 2001 with quarterly interim settlement dates.

The Company expects from time to time to purchase shares of Common Stock in connection with its authorized Common Stock repurchase plan.

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14. GEOGRAPHIC INFORMATION

The Company operates in one industry segment and engages primarily in the design, development, manufacture and marketing of semiconductor products. The Company sells its products to system manufacturers and distributors in a broad range of industries, performs on-going credit evaluations of its customers and generally requires no collateral. The Company's operations outside the United States consist of a comprehensive product assembly and final test facilities in Thailand and sales offices in certain foreign countries. Domestic operations are responsible for the design, development and wafer fabrication of all products, as well as the coordination of production planning and shipping to meet worldwide customer commitments. The Thailand test facility is reimbursed in relation to value added with respect to assembly and test operations and other functions performed, and certain foreign sales offices receive a commission on export sales within their territory. Accordingly, for financial statement purposes, it is not meaningful to segregate sales or operating profits for the test and foreign sales office operations. Identifiable assets by geographic area are as follows (amounts in thousands):

	March 31,	
	2000	1999
United States	\$503,689	\$284,496
Taiwan	136,194	125,768
Thailand	137,585	66,532
Other	34,943	28,434
	-----	-----
Total Assets	\$812,411	\$505,230
	=====	=====

Sales to unaffiliated customers located outside the United States, primarily in Asia and Europe, aggregated approximately 68%, 69% and 68% of consolidated net sales for the years ended March 31, 2000, 1999 and 1998, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash equivalents approximates fair value because their maturity is less than three months. The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of the amounts. The fair value of capital lease obligations, long-term debt and lines of credit approximate their carrying value as they are estimated by discounting the future cash flows at rates currently offered to the Company for similar debt instruments.

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to reduce its exposure to fluctuations in foreign exchange rates. These financial instruments include standby letters of credit and foreign currency forward contracts. When engaging in forward contracts, risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in securities values, interest rates and foreign exchange rates. At March 31, 2000 and 1999, the Company held contracts totaling \$5,840,000 and \$4,263,000, respectively, which were entered into and hedged the Company's foreign currency risk. The contracts matured June, 2000 and May 1999, respectively. Unrealized gains and losses as of the balance sheet dates and realized gains and losses for the years ending March 31, 2000, 1999 and 1998 were not material.

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16. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share (in thousands except per share amounts):

	Years Ended March 31,		
	2000	1999	1998
Net income	\$102,044	\$50,088	\$64,368
Weighted average common shares outstanding	76,489	76,704	80,064
Dilutive effect of stock options	4,865	3,588	4,406
Weighted average common and common equivalent shares outstanding	81,354	80,292	84,470
Basic net income per share	\$ 1.33	\$ 0.65	\$ 0.80
Diluted net income per share	\$ 1.25	\$ 0.62	\$ 0.76

17. QUARTERLY RESULTS (UNAUDITED)

The following table presents the Company's selected unaudited quarterly operating results for eight quarters ended March 31, 2000. The Company believes that all necessary adjustments have been made to present fairly the related quarterly results (in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Fiscal 2000					
Net sales	\$107,710	\$118,021	\$129,187	\$140,811	\$495,729
Gross profit	54,755	60,777	67,433	74,779	257,744
Operating income	27,582	33,450	35,769	41,029	137,830
Net income	20,199	24,840	26,437	30,568	102,044
Diluted net income per share	0.25	0.31	0.32	0.37	1.25
Fiscal 1999					
Net Sales	\$ 99,489	\$103,780	\$100,167	\$103,024	\$406,460
Gross profit	49,258	51,473	50,642	51,513	202,886
Operating income	17,488	24,664	25,120	2,884	70,156
Net income	12,774	17,563	17,854	1,897	50,088
Diluted net income per share	.23	.33	.34	.04	.62

18. SUPPLEMENTAL FINANCIAL INFORMATION

Cash paid for income taxes amounted to \$8,276,000, \$27,875,000 and

\$19,857,000 during the years ended March 31, 2000, 1999 and 1998, respectively. Cash paid for interest amounted to \$997,000, \$2,688,000 and \$796,000 during the years ended March 31, 2000, 1999 and 1998, respectively. Included in the special charge for the year ended March 31, 1999 was a non-cash amount of \$8,920,000, of which \$1,700,000 pertained to the write off of products obsoleted by the introduction of newer products and \$7,220,000 pertained to the write down of fixed assets due to the restructuring of wafer fabrication facilities.

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A summary of additions and deductions related to the allowances for accounts receivable and inventories for the years ended March 31, 2000, 1999 and 1998 follows:

	Balance at beginning of year -----	Charged to costs and expenses -----	Deductions -----	Balance at end of year -----
Allowance for doubtful accounts:				
2000	\$2,360	\$ 936	\$ (559)	\$2,737
1999	2,392	335	(367)	2,360
1998	2,094	638	(340)	2,392
Allowance for inventory valuation:				
2000	\$9,994	\$ 870	\$ (3,814)	\$7,050
1999	9,523	3,464	(2,993)	9,994
1998	8,331	2,126	(934)	9,523

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CREDIT AGREEMENT

DATED AS OF MAY 31, 2000

AMONG

MICROCHIP TECHNOLOGY INCORPORATED,
A DELAWARE CORPORATION

THE LENDERS,

BANK ONE, NA,
AS LC ISSUER AND AS ADMINISTRATIVE AGENT

WELLS FARGO BANK, NATIONAL ASSOCIATION
AS SYNDICATION AGENT

BANK OF AMERICA, N.A.
AS DOCUMENTATION AGENT
AND

BANC ONE CAPITAL MARKETS, INC.
AS LEAD ARRANGER AND SOLE BOOK MANAGER
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Pricing Schedule

Exhibits:

- "A" Form of Opinion
- "B" Form of Compliance Certificate
- "C" Form of Assignment Agreement
- "D" Form of Loan/Credit Related Money Transfer Instructions
- "E" Form of Note
- "F-1" Form of Swing Line Borrowing Notice
- "F-2" Form of Conversion/Continuation Notice

Schedules:

- "1" Subsidiaries, Material Subsidiaries and Other Investments
- "2" Indebtedness and Liens

-iii- CREDIT AGREEMENT

THIS CREDIT AGREEMENT ("Agreement"), dated as of May 31, 2000, is among MICROCHIP TECHNOLOGY INCORPORATED, a Delaware corporation, the Lenders, and BANK ONE, NA, a national banking association, having its principal office in Chicago, Illinois, as LC Issuer and as Administrative Agent, Wells Fargo Bank, National Association as Syndication Agent and Bank of America, N.A. as Documentation Agent. The parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise, or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Administrative Agent" means Bank One in its capacity as contractual representative of the Lenders pursuant to Article 10, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article 10.

"Advance" means a borrowing hereunder, (i) made by some or all of the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders, as reduced from time to time pursuant to the terms hereof.

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"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Lenders.

"Agreement" means this credit agreement, as it may be amended or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

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

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which Commitment Fees are accruing on the unused portion of the Aggregate Commitment at such time as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the President, CEO, Chief Financial Officer, or Treasurer of the Borrower, acting singly.

"Available Aggregate Commitment" means, at any time, the Aggregate Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"Bank One" means Bank One, NA, a national banking association, having its principal office in Chicago, Illinois, in its individual capacity, and its successors.

"Borrower" means Microchip Technology Incorporated, a Delaware corporation, and its successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.9.

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"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, and (iv) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$100,000,000.00; PROVIDED in each case that the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest.

"Change in Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of the Borrower.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral Shortfall Amount" is defined in Section 8.1.

"Commitment" means, for each Lender, the obligation of such Lender to make Revolving Loans to, and participate in Facility LCs issued upon the application of, the Borrower in an aggregate amount not exceeding the amount set forth opposite its signature below or as set forth in any Notice of Assignment relating to any assignment that has become effective pursuant to Section 12.3.2, as such amount may be modified from time to time pursuant to the terms hereof.

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"Commitment Fee" is defined in Section 2.6(a).

"Consolidated EBIT" means Consolidated Net Income PLUS, to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense, (ii) expense for taxes paid or accrued, and (iii) extraordinary losses incurred other than in the ordinary course of business, MINUS, to the extent included in Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Borrower and its Subsidiaries on a consolidated basis.

"Consolidated EBITDA" means Consolidated Net Income PLUS, to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense, (ii) expense for taxes paid or accrued, (iii) depreciation, (iv) amortization and (v) extraordinary losses incurred other than in the ordinary course of business, MINUS, to the extent included in Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Borrower and its Subsidiaries on a consolidated basis.

"Consolidated Funded Indebtedness" means at any time the aggregate dollar amount of Consolidated Indebtedness which has actually been funded and is outstanding at such time, whether or not such amount is due or payable at such time.

"Consolidated Indebtedness" means at any time the Indebtedness of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Interest Expense" means, with reference to any period, the interest expense of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Tangible Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time LESS all intangible assets of Borrower and its Subsidiaries calculated on a consolidated basis as of such time.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, would be treated, if applicable, as a single employer under Section 414 of the Code.

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"Conversion/Continuation Notice" is defined in Section 2.10.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"Default" means an event described in Article 7.

"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 (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) 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.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period; PROVIDED that, (i) if Reuters Screen FRBD is not available to the Administrative Agent for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Administrative Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.12, bears interest at the applicable Eurodollar Rate.

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"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, PLUS (ii) the Applicable Margin.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Administrative Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Administrative Agent is incorporated or organized or (ii) the jurisdiction in which the Administrative Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Facility LC" is defined in Section 2.19.1.

"Facility LC Application" is defined in Section 2.19.3.

"Facility LC Collateral Account" is defined in Section 2.19.11.

"Facility Termination Date" means May 31, 2003 or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum 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 for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day PLUS (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided

in Section 2.12, bears interest at the Floating Rate.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course

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of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations of such Person to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations and (vii) any other obligation for borrowed money or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person.

"Information" is defined in Section 9.11.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter; PROVIDED, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; PROVIDED, HOWEVER, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any time deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person; provided that "Investment" shall not include any such items with a maturity date, an expiration date or similar duration provision of less than one year.

"LC Fee" is defined in Section 2.19.4.

"LC Issuer" means Bank One (or any subsidiary or affiliate of Bank One designated by Bank One) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time PLUS (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.19.5.

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"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns. Unless otherwise specified, the term "Lenders" includes Bank One in its capacity as Swing Line Lender.

"Lending Installation" means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or affiliate of such Lender or the Administrative Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender or the Administrative Agent pursuant to Section 2.18.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Leverage Ratio" means, as of any date of calculation, the ratio of (i) Consolidated Funded Indebtedness outstanding on such date to (ii) Consolidated EBITDA for the Borrower's then most-recently ended four fiscal quarters.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means a Revolving Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, the Facility LC Applications and any Notes issued pursuant to Section 2.14.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent, the LC Issuer or the Lenders thereunder.

"Material Indebtedness" is defined in Section 7.5.

"Material Division" means any division of the Borrower or a Subsidiary which (i) represents more than 10% of the consolidated assets of the Borrower as would be shown in the consolidated financial statements of the Borrower as at the beginning of the twelve-month period ending with the month in which such

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determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower as reflected in the financial statements referred to in clause (i) above.

"Material Subsidiary" means a Subsidiary which (i) represents more than 10% of the consolidated assets of the Borrower as would be shown in the consolidated financial statements of the Borrower as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower as reflected in the financial statements referred to in clause (i) above.

"Modify" and "Modification" are defined in Section 2.19.1.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group might be a party in the future to which more than one employer is obligated to make contributions.

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" means any promissory note issued at the request of a Lender pursuant to Section 2.14 in the form of Exhibit "E".

"Notice of Assignment" is defined in Section 12.3.2.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Reimbursement Obligations, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Administrative Agent, the LC Issuer or any indemnified party arising under the Loan Documents.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Operating Lease Obligations" means, as at any date of determination, the amount obtained by aggregating the present values, determined in the case of each particular Operating Lease by applying a discount rate (which discount rate shall equal the discount rate which would be applied under Agreement Accounting Principles if such Operating Lease were a Capitalized Lease) from the date on which each fixed lease payment is due under such Operating Lease to such date of determination, of all fixed lease payments due under all Operating Leases of the Borrower and its Subsidiaries.

"Other Taxes" is defined in Section 3.5(ii).

"Outstanding Credit Exposure" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Revolving Loans outstanding at such time, PLUS (ii) an amount equal to its Pro Rata Share of the aggregate principal amount of Swing Line Loans outstanding at such time, PLUS (iii) an amount equal to its Pro Rata Share of the LC Obligations at such time.

"Participants" is defined in Section 12.2.1.

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"Payment Date" means as to (i) the commitment fee paid pursuant to Section 2.6, the first Business Day of each calendar quarter, commencing July 1, 2000; and (ii) a Floating Rate Advance and the LC Fee, on the first Business Day of each month.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" means any Acquisition made by the Borrower or any of its Subsidiaries, PROVIDED that (i) as of the date of the consummation of such Acquisition, no Default or Unmatured Default shall have occurred and be continuing or would result from such Acquisition, and the representations and warranties contained in Article 5 shall be true both before and after giving effect to such Acquisition except to the extent any such representation or warrant is stated to relate solely to an earlier date, (ii) the business to be acquired in such Acquisition is reasonably related to one or more of the fields of enterprise in which the Borrower and its Subsidiaries are engaged on the date hereof, and (iii) as of the date of the consummation of such Acquisition, all material approvals required in connection therewith shall have been obtained.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which, if applicable in the future, the Borrower or any member of the Controlled Group might have any liability.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One, NA or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment and the denominator of which is the Aggregate Commitment.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Purchasers" is defined in Section 12.3.1.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the

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extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding under Section 2.19 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any Operating Lease.

"Reportable Event" means, if applicable in the future to the Borrower, a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event; PROVIDED, HOWEVER, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6(i).

"Required Lenders" means Lenders in the aggregate having at least 60% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 60% of the Aggregate Outstanding Credit Exposure.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Revolving Loan" means, with respect to a Lender, such Lender's loan made pursuant to its commitment to lend set forth in Section 2.1 (or any conversion or continuation thereof).

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Single Employer Plan" means any Plan that may be maintained in the future by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

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"Subordinated Indebtedness" of a Person means any Indebtedness of such Person the payment of which is subordinated to payment of the Obligations to the written satisfaction of the Required Lenders.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Swing Line Borrowing Notice" is defined in Section 2.5.2.

"Swing Line Commitment" means the obligation of the Swing Line Lender to make Swing Line Loans up to a maximum principal amount of \$10,000,000.00 at any one time outstanding.

"Swing Line Lender" means Bank One or such other Lender which may succeed to its rights and obligations as Swing Line Lender pursuant to the terms of this Agreement.

"Swing Line Loan" means a Loan made available to the Borrower by the Swing Line Lender pursuant to Section 2.5.

"Synthetic Lease Obligations" means all monetary obligations of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the Indebtedness of such Person (without regard to accounting treatment).

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but EXCLUDING Excluded Taxes and Other Taxes.

"Termination" means the payment in full of the principal amount of all Credit Extensions, all accrued interest thereon and all fees with respect thereto, coupled with termination of all obligations (if any) of all of the Lenders and the Swing Line Lender to advance funds or extend credit to or for

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the benefit, and the LC Issuer to issue or Modify Facility LCs for the account of Borrower pursuant to this Agreement, and the expiration of all outstanding Facility LC's.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance.

"Unfunded Liabilities" means, if applicable to the Borrower, the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans, if any, exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most

recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled, in either case excluding any de minimis amount of securities or interest required to be director owned.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

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ARTICLE 2
THE CREDITS

2.1 COMMITMENT.

(a) From and including the date of this Agreement and prior to the Facility Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to (i) make Revolving Loans to the Borrower and (ii) participate in Facility LCs issued upon the request of the Borrower provided that after giving effect to the making of each such Revolving Loan and the issuance of such Facility LC, such Lender's Outstanding Credit Exposure shall not exceed in the aggregate at any one time outstanding its Pro Rata Share of the Aggregate Outstanding Credit Exposure, and provided further that at no time shall the Aggregate Outstanding Credit Exposure exceed the Aggregate Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitment to extend credit hereunder shall expire on the Facility Termination Date. The LC Issuer will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.19.

(b) If no Default or Unmatured Default has occurred and is continuing, the Borrower may, by notice to the Administrative Agent, request that, on the terms and subject to the conditions contained in this Agreement, the Lenders and/or other financial institutions not then a party to this Agreement that are satisfactory to the Administrative Agent and the Borrower provide up to an aggregate amount of \$50,000,000 in additional Commitments. Upon receipt of such notice, the Administrative Agent shall use all commercially reasonable efforts to arrange for the Lenders or other financial institutions to provide such additional Commitments; PROVIDED that the Administrative Agent will first offer each of the Lenders that then has a Commitment a pro rata portion (based upon the Commitments at such time) of any such additional Commitments. Alternatively, any Lender may commit to provide the full amount of the requested additional Commitments and then offer portions of such additional Commitments to the other Lenders or other financial institutions, subject to the proviso in the immediately preceding sentence. Nothing contained in this paragraph or otherwise in this Agreement is intended to commit any Lender or the Administrative Agent to provide any portion of any such additional Commitments. If and to the extent that any Lenders and/or other financial institutions agree, in their sole discretion, to provide any such additional Commitments, (i) the Aggregate Commitment shall be increased by the amount of the additional Commitments agreed to be so provided, (ii) the Pro Rata Shares of the respective Lenders in respect of the Commitments shall be adjusted accordingly, (iii) at such time and in such manner as the Borrower and the Administrative Agent shall agree (it being understood that the Borrower and the Administrative Agent will use all commercially reasonable efforts to avoid the prepayment or assignment of any Eurodollar Advance on a day other than the last day of the Interest Period applicable thereto), the Lenders shall assign and assume outstanding Revolving Loans and participations in L/C Obligations so as to cause the amount of such Revolving Loans and participations in L/C Obligations held by each Lender to conform to the respective percentages of the applicable Commitments of the Lenders and (iv) the Borrower shall execute and deliver any additional Notes or other amendments or modifications to this Agreement or any other Loan Documents as the Administrative Agent may reasonably request.

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2.2 REQUIRED PAYMENTS; TERMINATION.

The Aggregate Outstanding Credit Exposure and all other unpaid Obligations shall be paid in full by the Borrower on the Facility Termination Date.

2.3 RATABLE LOANS.

Each Advance hereunder (other than any Swing Line Loan) shall consist of Revolving Loans made from the several Lenders ratably according to their Pro Rata Shares.

2.4 TYPES OF ADVANCES.

The Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.9 and 2.10, or Swing Line Loans selected by the Borrower in accordance with Section 2.5.

2.5 SWING LINE LOANS.

2.5.1 AMOUNT OF SWING LINE LOANS. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Advance hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 as well, from and including the date of this Agreement and prior to the Facility Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans to the Borrower from time to time in an aggregate principal amount not to exceed the Swing Line Commitment; PROVIDED that the Aggregate Outstanding Credit Exposure shall not at any time exceed the Aggregate Commitment, and PROVIDED FURTHER that at no time shall the sum of (i) the Swing Line Lender's Pro Rata Share of the Swing Line Loans, PLUS (ii) the outstanding Revolving Loans made by the Swing Line Lender pursuant to Section 2.1, exceed the Swing Line Lender's Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Swing Line Loans at any time prior to the Facility Termination Date.

2.5.2 BORROWING NOTICE. The Borrower shall deliver to the Administrative Agent and the Swing Line Lender irrevocable notice (a "Swing Line Borrowing Notice") in the form of Exhibit "F-1" not later than noon (Chicago time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than \$100,000.00. The Swing Line Loans shall bear interest at the Floating Rate.

2.5.3 MAKING OF SWING LINE LOANS. Promptly after receipt of a Swing Line Borrowing Notice, the Administrative Agent shall notify each Lender by fax, or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Chicago time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will promptly make the funds

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so received from the Swing Line Lender available to the Borrower on the Borrowing Date at the Administrative Agent's aforesaid address.

2.5.4 REPAYMENT OF SWING LINE LOANS. Each Swing Line Loan shall be paid in full by the Borrower on or before the fifth (5th) Business Day after the Borrowing Date for such Swing Line Loan. In addition, the Swing Line Lender (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall on the fifth (5th) Business Day after the Borrowing Date of any Swing Line Loan, require each Lender (including the Swing Line Lender) to make a Revolving Loan in the amount of such Lender's Pro Rata Share of such Swing Line Loan, for the purpose of repaying such Swing Line Loan. Not later than noon (Chicago time) on the date of any notice received pursuant to this Section 2.5.4, each Lender shall make available its required Revolving Loan, in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article 13. Revolving Loans made pursuant to this Section 2.5.4 shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Loans in the manner provided in Section 2.10 and subject to the other conditions and limitations set forth in this Article 2. Unless a Lender shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1 or 4.2 had not then been satisfied, such Lender's obligation to make Revolving Loans pursuant to this Section 2.5.4 to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Administrative Agent, the Swing Line Lender or any other Person, (b) the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the condition (financial or otherwise) of the Borrower, or (d) any other circumstances, happening or event whatsoever. In the event that any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.5.4, the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.5.4, such Lender shall be deemed, at the option of the Swing Line Lender, to have unconditionally

and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Revolving Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Facility Termination Date, the Borrower shall repay in full the outstanding principal balance of the Swing Line Loans.

2.6 COMMITMENT FEE; REDUCTIONS IN AGGREGATE COMMITMENT.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender according to its Pro Rata Share a commitment fee (the "Commitment Fee") at a per annum rate equal to the Applicable Fee Rate on the daily Available Aggregate Commitment from the date hereof to and including the Facility Termination Date, payable in arrears on each Payment Date hereafter and

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on the Facility Termination Date. Swing Line Loans shall not count as usage of any Lender's Commitment for the purpose of calculating the commitment fee due hereunder.

(b) The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in integral multiples of \$5,000,000.00, upon at least three (3) Business Days' written notice to the Administrative Agent, which notice shall specify the amount of any such reduction; PROVIDED, HOWEVER, that the amount of the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Credit Extensions hereunder.

2.7 MINIMUM AMOUNT OF EACH ADVANCE.

Each Advance shall be in the minimum amount of \$3,000,000.00 (and in multiples of \$1,000,000.00 if in excess thereof); PROVIDED, HOWEVER, that any Floating Rate Advance may be in the amount of the unused Aggregate Commitment.

2.8 OPTIONAL PRINCIPAL PAYMENTS.

The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances (other than Swing Line Loans), or, in a minimum aggregate amount of \$3,000,000.00 or any integral multiple of \$1,000,000.00 in excess thereof, any portion of the outstanding Floating Rate Advances (other than Swing Line Loans) upon one (1) Business Day's prior notice to the Administrative Agent. The Borrower may at any time pay, without penalty or premium, all outstanding Swing Line Loans, or, in a minimum amount of \$100,000.00 and increments of \$50,000.00 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Administrative Agent and the Swing Line Lender by noon (Chicago time) on the date of repayment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of \$3,000,000.00 or any integral multiple of \$1,000,000.00 in excess thereof, any portion of the outstanding Eurodollar Advances upon three Business Days' prior notice to the Administrative Agent.

2.9 METHOD OF SELECTING TYPES AND INTEREST PERIODS FOR NEW ADVANCES.

The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Borrower shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than noon (Chicago time) on the Borrowing Date of each Floating Rate Advance (other than a Swing Line Loan) and three (3) Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

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(iii) the Type of Advance selected, and

(iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

Not later than 2:00 p.m. (Chicago time) on each Borrowing Date, each Lender shall make available its Revolving Loan or Revolving Loans in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article 13. The Administrative Agent will wire the funds so received from the Lenders in accordance with instructions received from the Borrower.

2.10 CONVERSION AND CONTINUATION OF OUTSTANDING ADVANCES.

Floating Rate Advances (other than Swing Line Loans) shall continue as

Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.10 or are repaid in accordance with Section 2.8. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.8 or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.7, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance (other than a Swing Line Loan) into a Eurodollar Advance. The Borrower shall give the Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") in the form of Exhibit "F-2" of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than noon (Chicago time) at least three (3) Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

2.11 CHANGES IN INTEREST RATE, ETC.

Each Floating Rate Advance (other than a Swing Line Loan) shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.10, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.10 hereof, at a rate per annum equal to the Floating Rate for such

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day. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is paid, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.9 and 2.10 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date.

2.12 RATES APPLICABLE AFTER DEFAULT.

Notwithstanding anything to the contrary contained in Section 2.9 or 2.10, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, and (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum, and (iii) the LC Fee shall be increased by 2% per annum; PROVIDED that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions without any election or action on the part of the Administrative Agent or any Lender.

2.13 METHOD OF PAYMENT.

All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article 13, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by noon (local time) on the date when due and shall (except with respect to repayments of Swing Line Loans and except in the case of Reimbursement Obligations for which the LC

Issuer has not been fully indemnified by the Lenders, or as otherwise specifically required hereunder) be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at its address specified pursuant to Article 13 or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. Each reference to the Administrative Agent in this Section 2.13 shall also be

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deemed to refer, and shall apply equally, to the LC Issuer, in the case of payments required to be made by the Borrower to the LC Issuer pursuant to Section 2.19.6.

2.14 NOTELESS AGREEMENT; EVIDENCE OF INDEBTEDNESS.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (c) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, and (d) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be PRIMA FACIE evidence of the existence and amounts of the Obligations therein recorded; PROVIDED, HOWEVER, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans be evidenced by a promissory note or, in the case of the Swing Line Lender, promissory notes representing its Revolving Loans and Swing Line Loans, respectively, substantially in the form of Exhibit "E", with appropriate changes for notes evidencing Swing Line Loans (each a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender such Note or Notes payable to the order of such Lender. Thereafter, the Loans evidenced by each such Note and interest thereon shall at all times (including after any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 12.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (i) and (ii) above.

2.15 TELEPHONIC NOTICES.

The Borrower hereby authorizes the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Administrative Agent a written confirmation, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any

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material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.16 INTEREST PAYMENT DATES; INTEREST AND FEE BASIS.

Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof and at maturity. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid or converted, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Floating Rate Advances shall be calculated for actual days elapsed on the basis of a 365/366-day year. Interest on Eurodollar Advances, LC Fees and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time)

at the place of payment. If any payment of principal or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.17 NOTIFICATION OF ADVANCES, INTEREST RATES, PREPAYMENTS AND COMMITMENT REDUCTIONS.

Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Swing Line Borrowing Notice, Conversion/ Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the LC Issuer, the Administrative Agent will notify each Lender of the contents of each request for issuance of a Facility LC hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.18 LENDING INSTALLATIONS.

Each Lender may book its Loans and its participation in any LC Obligations and the LC Issuer may book the Facility LCs at any Lending Installation selected by such Lender or the LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or the LC Issuer, as the case may be, for the benefit of any such Lending Installation. Each Lender and the LC Issuer may, by written notice to the Administrative Agent and the Borrower in accordance with Article 13, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

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2.19 FACILITY LCS.

2.19.1 ISSUANCE. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the date of this Agreement and prior to the Facility Termination Date upon the request of the Borrower; PROVIDED that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed \$20,000,000.00 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. No Facility LC shall have an expiry date later than the earlier of (x) the fifth (5th) Business Day prior to the Facility Termination Date and (y) one year after its issuance.

2.19.2 PARTICIPATIONS. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.19, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

2.19.3 NOTICE. Subject to Section 2.19.1, the Borrower shall give the LC Issuer notice prior to noon (Chicago time) at least five (5) Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article 4 (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"); PROVIDED, HOWEVER, that the LC Issuer shall have no obligation to, and shall not, issue or Modify any Facility LC if the LC Issuer has received written notice from the Administrative Agent, any Lender or the Borrower on or prior to the Business Day of the proposed issuance or Modification of such Facility LC that one or more of the conditions set forth in Article 4 is not then satisfied. In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

2.19.4 LC FEES. The Borrower shall pay to the Administrative Agent, for

the account of the Lenders ratably in accordance with their respective Pro Rata Shares, with respect to each Facility LC, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Loans in effect from time to time on the average daily undrawn stated amount under such Facility LC, such fee to be payable in arrears on each Payment Date (such fee described in this

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sentence an "LC Fee"). The Borrower shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount to be agreed upon between the LC Issuer and the Borrower, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

2.19.5 ADMINISTRATION; REIMBURSEMENT BY LENDERS. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Borrower and each other Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Borrower and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.19.6 below, PLUS (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after noon (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.19.6 REIMBURSEMENT BY BORROWER. The Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by the LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind; PROVIDED that neither the Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. The LC Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.19.5. Subject to the terms and conditions of this

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Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.9 and the satisfaction of the applicable conditions precedent set forth in Article 4), the Borrower may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

2.19.7 OBLIGATIONS ABSOLUTE. The Borrower's obligations under this Section 2.19 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Issuer, any Lender or any beneficiary of a Facility LC. The Borrower further agrees with the LC Issuer and the Lenders that the LC Issuer and the Lenders shall not be responsible for, and the Borrower's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission,

interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrower agrees that any action taken or omitted by the LC Issuer or any Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrower and shall not put the LC Issuer or any Lender under any liability to the Borrower. Nothing in this Section 2.19.7 is intended to limit the right of the Borrower to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.19.6.

2.19.8 ACTIONS OF LC ISSUER. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.19, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holders of a participation in any Facility LC.

2.19.9 INDEMNIFICATION. Subject to the limitations set forth herein, the Borrower hereby agrees to indemnify and hold harmless each Lender, the LC Issuer and the Administrative Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, or related costs or expenses which such Lender, the LC Issuer or the Administrative Agent may reasonably incur (or which may be claimed against

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such Lender, the LC Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, or related costs or expenses which the LC Issuer may reasonably incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; PROVIDED (i) that the Borrower shall not be required to indemnify any Lender, the LC Issuer or the Administrative Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC; (ii) and further provided that in no event shall Borrower be liable for any incidental, indirect, exemplary, consequential, special or punitive damages, or for any loss of revenue, profits, capital or business or wasted management time, even if Borrower is made aware of the possibility of such damages or they are foreseeable, and the Administrative Agent, the Arranger, each Lender and each LC Issuer hereby waives, releases and agrees not to sue for, any incidental, indirect, consequential (including but not limited to loss of revenue and loss of profits), special or punitive damages that may be suffered by the Administrative Agent, the Arranger, such Lender and such LC Issuer in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby, except to the extent the Administrative Agent, the Arranger, each Lender and each LC Issuer is subject to a final, nonappealable judgment for claims for incidental, indirect, consequential, special or punitive damages by other Persons to the extent they are attributable to actions of the Borrower. Nothing in this Section 2.19.9 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

2.19.10 LENDERS' INDEMNIFICATION. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with

this Section 2.19 or any action taken or omitted by such indemnitees hereunder.

2.19.11 FACILITY LC COLLATERAL ACCOUNT. The Borrower agrees that it will, upon the request of the Administrative Agent or the Required Lenders and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuer or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Administrative Agent (the "Facility LC Collateral Account") at the Administrative Agent's office at the address specified pursuant to Article 13,

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in the name of such Borrower but under the sole dominion and control of the Administrative Agent, for the benefit of the Lenders and in which such Borrower shall have no interest other than as set forth in Section 8.1. The Borrower hereby pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuer, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Administrative Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding thirty (30) days. Nothing in this Section 2.19.11 shall either obligate the Administrative Agent to require the Borrower to deposit any funds in the Facility LC Collateral Account or limit the right of the Administrative Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Section 8.1.

2.19.12 RIGHTS AS A LENDER. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

2.20 NON-RECEIPT OF FUNDS BY THE ADMINISTRATIVE AGENT.

Unless the Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.21 REPLACEMENT OF LENDER.

If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3 (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement; PROVIDED that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and PROVIDED FURTHER that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall

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agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of Exhibit "C" and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

ARTICLE 3

YIELD PROTECTION; TAXES

3.1 YIELD PROTECTION.

(a) If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or the LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender or any applicable Lending Installation or the LC Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender or the LC Issuer in respect of its Eurodollar Loans, Facility LCs or participations therein, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or the LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation or the LC Issuer of making, funding or maintaining its Eurodollar Loans, or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or the LC Issuer in connection with its Eurodollar Loans, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or the LC Issuer to make any payment calculated by reference to the amount of Eurodollar Loans, Facility LCs or participations therein held or interest or LC Fees received by it, by an amount deemed in good faith material by

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such Lender or the LC Issuer as the case may be, and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or the LC Issuer, as the case may be, of making or maintaining its Eurodollar Loans or Commitment or of issuing or participating in Facility LCs or to reduce the return received by such Lender or applicable Lending Installation or the LC Issuer, as the case may be, in connection with such Eurodollar Loans, Commitment, Facility LCs or participations therein, then a certificate of a Lender or an LC Issuer, as the case may be, setting forth such amount or amounts as shall be necessary to compensate such Lender or LC Issuer, as the case may be, as specified in this Article 3.1, and setting forth in reasonable detail the manner in which such amount or amounts have been calculated, shall be delivered to the Borrower. The Borrower shall pay such Lender or LC Issuer, as the case may be, the amount shown as due on any such certificate delivered to it within 15 days of Borrower's receipt of such certificate.

(b) Each Lender or the Administrative Agent on behalf of the Lenders shall give notification to the Borrower of any event or prospective event which will give rise to the operation of paragraph (a) of this Section, such notification to be sent within ninety (90) days of the date of the public promulgation of the effective date of any such law, rule, regulation, policy, guideline or directive, or change therein.

3.2 CHANGES IN CAPITAL ADEQUACY REGULATIONS.

(a) If a Lender or the LC Issuer determines the amount of capital required or expected to be maintained by such Lender or the LC Issuer, any Lending Installation of such Lender or the LC Issuer, or any corporation controlling such Lender or the LC Issuer is increased as a result of a Change, then, the Borrower shall pay such Lender or the LC Issuer, in accordance with Section 3.2(b), the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or the LC Issuer determines in good faith is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender's or the LC Issuer's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or the LC Issuer or any Lending Installation or any corporation controlling any Lender or the LC Issuer. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

(b) A certificate of a Lender or an LC Issuer, as the case may be, setting forth such amount or amounts as shall be necessary to compensate such Lender or LC Issuer, as the case may be, as specified in Article 3.2(a), and setting forth in reasonable detail the manner in which such amount or amounts have been calculated, shall be delivered to the Borrower. The Borrower shall pay such Lender or LC Issuer, as the case may be, the amount shown as due on any such certificate delivered to it within 15 days of Borrower's receipt of such certificate.

(c) Each Lender or the Administrative Agent on behalf of the Lenders shall give notification to the Borrower of any event or prospective event which will give rise to the operation of paragraph (a) of this Section, such notification to be sent within ninety (90) days of the date of the public promulgation of the effective date of any such Change.

3.3 AVAILABILITY OF TYPES OF ADVANCES.

If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Administrative Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4 FUNDING INDEMNIFICATION.

If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5 TAXES.

(i) All payments by the Borrower to or for the account of any Lender, LC Issuer or the Administrative Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, LC Issuer or the Administrative Agent, (a) the sum payable shall be increased as necessary so that after making all legally required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, LC Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions to the extent it is legally required to do so, (c) the Borrower shall pay any amount deducted to the relevant authority in accordance with applicable law, and (d) the Borrower shall furnish to the

Administrative Agent the original copy of a receipt evidencing any payment thereof within thirty (30) days after such payment is made.

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("Other Taxes").

(iii) Subject to Sections 3.5(iv), 3.5(v) and 3.5(vi), the Borrower hereby agrees to indemnify the Administrative Agent, the LC Issuer and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Administrative Agent, the LC Issuer or such Lender and any liability (including any penalties, interest and expenses due to Borrower's failure to make such indemnification payments as hereinafter required) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within thirty (30) days after the receipt by the Borrower from the Administrative Agent, the LC Issuer or such Lender of a demand therefor pursuant to Section 3.6. Included with such demand shall be a certificate setting forth the amount demanded and in reasonable detail the calculation by which such amount has been determined.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not less than ten (10) Business Days after the date of this Agreement, (i)

deliver to each of the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Borrower and the Administrative Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, UNLESS an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority,

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occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; PROVIDED that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including reasonable attorneys fees and time charges of attorneys for the Administrative Agent, but excluding any fees or charges of attorneys that may be employees of the Administrative Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

(viii) Each Lender or the Administrative Agent on behalf of the Lenders shall give notification to the Borrower of any event or prospective event which will give rise to the operation of paragraph (iii) of this Section, such notification to be sent within ninety (90) days of the date of the public promulgation of the effective date of any such Taxes or Stamp Taxes.

3.6 LENDER STATEMENTS; SURVIVAL OF INDEMNITY.

To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the reasonable judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Administrative Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable

under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable within thirty (30) days of written demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4, 3.5 and this Section 3.6 shall survive payment of the Obligations and termination of this Agreement, provided that Borrower shall have no further obligation to the Lenders under said Sections unless a certificate setting forth the amount of such obligation shall have been delivered by the Lender within ninety (90) calendar days after the Termination.

ARTICLE 4

CONDITIONS PRECEDENT

4.1 INITIAL CREDIT EXTENSION.

The Lenders shall not be required to make the initial Credit Extension hereunder unless the Borrower has furnished to the Administrative Agent with sufficient copies for the Lenders and/or the following conditions are satisfied:

(i) Copies of the certificate of incorporation of the Borrower, together with all amendments, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation.

(ii) Copies, certified by the Secretary or Assistant Secretary of the Borrower, of its by-laws and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which the Borrower is a party.

(iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of the Borrower authorized to sign the Loan Documents to which the Borrower is a party, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.

(iv) A certificate, signed by the chief financial officer of the Borrower, stating that on the initial Credit Extension Date no Default or Unmatured Default has occurred and is continuing.

(v) A written opinion of the Borrower's counsel, addressed to the Lenders in substantially the form of Exhibit "A".

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(vi) Any Notes requested by a Lender pursuant to Section 2.14 payable to the order of each such requesting Lender.

(vii) Written money transfer instructions, in substantially the form of Exhibit "D", addressed to the Administrative Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.

(viii) A certificate, signed by an authorized officer of each Material Subsidiary of Borrower, stating that among other things, (i) the Material Subsidiary is validly existing and in good standing under its applicable laws, (ii) it is not in liquidation or subject to an administration order, (iii) no receiver or manager has been appointed for its property, and (iv) it has the power and material governmental licenses, authorizations, consents and approvals to carry on its business as now conducted.

(ix) If the initial Credit Extension will be the issuance of a Facility LC, a properly completed Facility LC Application.

(x) Payments of the fees owed to the Administrative Agent and the Arranger by the Borrower pursuant to that letter dated February 17, 2000 among them.

(xi) Evidence that the Credit Agreement dated as of October 28, 1997 among Borrower, the Banks named therein, Bank One, Arizona, NA as Administrative Agent and The First National Bank of Chicago as Documentation Administrative Agent shall have been terminated and all loans, fees and costs related thereto paid in full.

(xii) Such other documents as any Lender or its counsel may have reasonably requested.

4.2 EACH CREDIT EXTENSION.

The Lenders shall not (except as otherwise set forth in Section 2.5.4 with respect to Revolving Loans for the purpose of repaying Swing Line Loans) be required to make any Credit Extension unless on the applicable Credit Extension Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article 5 are true and correct as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date.

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(iii) All legal matters incident to the making of such Credit Extension shall be satisfactory to the Lenders and their counsel.

Each Borrowing Notice, request for issuance of a Facility LC, or Swing Line Borrowing Notice, as the case may be, with respect to each such Credit Extension shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit "B" as a condition to making a Credit Extension.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1 EXISTENCE AND STANDING.

Each of the Borrower and its Material Subsidiaries is a corporation, partnership (in the case of Material Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted if failure could reasonably be expected to have a Material Adverse Effect.

5.2 AUTHORIZATION AND VALIDITY.

The Borrower has the power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3 NO CONFLICT; GOVERNMENT CONSENT.

Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any of its Material Subsidiaries or (ii) the Borrower's or any Material Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Borrower or any of its Material Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default

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thereunder, or result in, or require, the creation or imposition of any Lien (other than as permitted under Section 6.14) in, of or on the Property of the Borrower or a Material Subsidiary pursuant to the terms of any such indenture, instrument or agreement, the violation of which could reasonably be expected to have a Material Adverse Effect. Except for filing which may be required under the Securities Exchange Act of 1934, no order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower or any of its Material Subsidiaries, is required to be obtained by the Borrower or any of its Material Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents, whose failure to obtain could reasonably be expected to have a Material Adverse Effect.

5.4 FINANCIAL STATEMENTS.

The March 31, 1999 consolidated financial statements of the Borrower heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Borrower at such date and the consolidated results of its operations for the period then ended.

5.5 MATERIAL ADVERSE CHANGE.

Since March 31, 1999 there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower which could reasonably be expected to have a Material Adverse Effect.

5.6 TAXES.

The Borrower has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower if failure could reasonably be expected to have a Material Adverse Effect, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles and as to which no Lien exists. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Borrower in respect of any taxes or other governmental charges are adequate.

5.7 LITIGATION AND CONTINGENT OBLIGATIONS.

Except as set forth in the Borrower's filing with the Securities and Exchange Commission on Form 10-K for the year ended March 31, 1999 (the "1999 SEC Filing"), there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or threatened against or affecting the Borrower which could reasonably be expected to have a Material Adverse Effect or which

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seeks to prevent, enjoin or delay the making of any Credit Extensions. Other than any liability incident to any litigation, arbitration or proceeding which (i) could not reasonably be expected to have a Material Adverse Effect, or (ii) is set forth in the 1999 SEC Filing, the Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8 SUBSIDIARIES.

Schedule "1" contains an accurate list of all Subsidiaries of the Borrower as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries and indicating which Subsidiaries are Material Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9 ERISA.

The Borrower has no outstanding Plans.

5.10 ACCURACY OF INFORMATION.

No information, exhibit or report furnished by the Borrower to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.11 REGULATION U.

Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12 MATERIAL AGREEMENTS.

The Borrower is not a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect as to the Borrower. The Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect as to the Borrower or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.13 COMPLIANCE WITH LAWS.

The Borrower and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property except for any failure to comply with any of the foregoing which could not reasonably be expected to have a Material Adverse Effect as to the Borrower.

5.14 OWNERSHIP OF PROPERTIES.

Except as set forth on Schedule "2", on the date of this Agreement, the Borrower and its Material Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.15, to all of the Property and assets reflected in the Borrower's most recent consolidated financial statements provided to the Administrative Agent as owned by the Borrower and its Material Subsidiaries if failure could reasonably be expected to have a Material Adverse Effect.

5.15 PLAN ASSETS; PROHIBITED TRANSACTIONS.

The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. ss. 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code).

5.16 ENVIRONMENTAL MATTERS.

In the ordinary course of its business, the officers of the Borrower consider the effect of Environmental Laws on the business of the Borrower and its Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing to the Borrower due to Environmental Laws. On the basis of this consideration, the Borrower is not aware of any Material Adverse Effect reasonably expected to be caused by any existing Environmental Laws. Neither the Borrower nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

ARTICLE 6

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1 FINANCIAL REPORTING.

The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

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(i) Within ninety (90) days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants acceptable to the Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated and consolidating basis (consolidating statements need not be certified by such accountants) for itself and its Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by any management letter prepared by said accountants.

(ii) Within forty-five (45) days after the close of the first three quarterly periods of each of its fiscal years, for itself and its Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such period and consolidated and consolidating profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by an Authorized Officer.

(iii) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit "B" signed by an Authorized Officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(iv) If Borrower has implemented a Plan, within two hundred seventy (270) days after the close of each fiscal year, a statement of the Unfunded

Liabilities of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA.

(v) If Borrower has implemented a Plan, as soon as possible and in any event within ten (10) days after the Borrower knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by an Authorized Officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.

(vi) As soon as possible and in any event within twenty (20) Business Days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local Environmental Law by the Borrower or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect as to the Borrower.

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(vii) Upon request by the Administrative Agent or any Lender, copies of all financial statements, reports and proxy statements furnished to the shareholders of the Borrower.

(viii) Upon request by the Administrative Agent or any Lender, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Borrower files with the Securities and Exchange Commission.

(ix) Such other information (including non-financial information) as the Administrative Agent or any Lender may from time to time reasonably request.

6.2 USE OF PROCEEDS.

The Borrower will use the proceeds of the Credit Extensions for general corporate purposes. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U).

6.3 NOTICE OF DEFAULT; NOTICE OF MATERIAL ADVERSE EFFECT.

The Borrower will give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4 CONDUCT OF BUSINESS.

The Borrower will carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to do so would not result in a Material Adverse Effect.

6.5 TAXES.

The Borrower will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property if failure to do so could reasonably be expected to have a Material Adverse Effect, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

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6.6 INSURANCE.

The Borrower will, and will cause each Material Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

6.7 COMPLIANCE WITH LAWS.

The Borrower will, and will cause each Subsidiary to, comply with all applicable (i) laws, rules, regulations and (ii) final, nonappealable orders, writs, judgments, injunctions, decrees or awards, to which it may be subject including, without limitation, all Environmental Laws, if failure to do so could

reasonably be expected to have a Material Adverse Effect as to the Borrower.

6.8 MAINTENANCE OF PROPERTIES.

The Borrower will, and will cause each Material Subsidiary to, keep in good working order and condition, ordinary wear and tear excepted, all of its assets and properties which are necessary to the conduct of its business.

6.9 INSPECTION.

Upon reasonable notice, the Borrower will permit representatives of the Administrative Agent and each Lender, at such representatives' sole cost and expense, to have access to Borrower's financial records and Borrower's premises at reasonable times during Borrower's normal operating hours, and to make such excerpts from such records as such representatives may deem necessary, provided that each person having access to Borrower's financial records and premises shall hold all information obtained in accordance with the provisions set forth in Section 9.11.

6.10 INDEBTEDNESS.

The Borrower will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(i) The Loans and the Reimbursement Obligations.

(ii) Indebtedness existing on the date hereof and described in Schedule "2".

(iii) Indebtedness incurred after the date hereof not greater than \$50,000,000 in the aggregate.

6.11 MERGER.

The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of

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its assets or the assets of any Material Division, whether now owned or hereafter acquired, or any capital stock of any Subsidiary (including any sale or transfer, by merger or otherwise, of one of the Subsidiaries or Material Divisions); EXCEPT THAT (a) the Borrower and any Subsidiary may sell inventory in the ordinary course of business and (b) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any wholly owned Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Wholly-Owned Subsidiary may merge into or consolidate with any other Wholly-Owned Subsidiary in a transaction in which the surviving entity is a Wholly-Owned Subsidiary and no Person other than the Borrower or a Wholly-Owned Subsidiary receives any consideration, (iii) any other corporation may be merged with a Subsidiary of the Borrower, provided that the surviving corporation shall be a Subsidiary of the Borrower and no Default has occurred or would occur as a result of such merger or acquisition and (iv) any other corporation may be merged into the Borrower if the Borrower shall be the surviving corporation and no Default has occurred or would occur as a result of such merger or acquisition; BUT PROVIDED that in any merger of the Borrower pursuant to (iv) above, the surviving entity must be at least as creditworthy as the Borrower was immediately prior to such merger or acquisition and must expressly fully assume in writing all obligations of the Borrower pursuant to this Agreement.

6.12 SALE OF ASSETS.

The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of its Property to any other Person, except:

(i) Sales of inventory in the ordinary course of business.

(ii) Leases, sales or other dispositions of its Property that, together with all other Property of the Borrower and its Subsidiaries previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this Section during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the Property of the Borrower and its Subsidiaries.

6.13 INVESTMENTS AND ACQUISITIONS.

The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person, except:

(i) Cash Equivalent Investments.

(ii) Existing Investments in Subsidiaries and other Investments in existence on the date hereof and described in Schedule "1".

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(iii) Permitted Acquisitions not to exceed \$100,000,000.00, taking into account the total consideration received for any such acquisition (e.g., stock, assumption of debt, etc.), in the aggregate per fiscal year.

6.14 LIENS.

The Borrower will not, nor will it permit any Material Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Material Subsidiaries, except:

(i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings.

(ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due.

(iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Material Subsidiaries.

(v) Liens existing on the date hereof and described in Schedule "2".

(vi) Additional Liens securing Indebtedness not exceeding \$50,000,000.00 in the aggregate.

6.15 AFFILIATES.

The Borrower will not, and will not permit any Material Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Material Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Material Subsidiary than the Borrower or such Material Subsidiary would obtain in a comparable arms-length transaction.

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6.16 SUBORDINATED INDEBTEDNESS.

The Borrower will not, and will not permit any Subsidiary to, make any material amendment or modification to the indenture, note or other agreement evidencing or governing any Subordinated Indebtedness, or directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire, any Subordinated Indebtedness.

6.17 CONTINGENT OBLIGATIONS.

The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Contingent Obligation (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary and any Synthetic Lease Obligations), except (i) by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) the Reimbursement Obligations, and (iii) Contingent Obligations and Synthetic Lease Obligations not exceeding \$20,000,000.00 in the aggregate.

6.18 FINANCIAL COVENANTS.

6.18.1 INTEREST COVERAGE RATIO. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) Consolidated Interest Expense to be less than 5.00 to 1.0.

6.18.2 MINIMUM TANGIBLE NET WORTH. The Borrower will at all times maintain Consolidated Tangible Net Worth of not less than the sum of (i) \$412,000,000.00, PLUS (ii) 50% of its Consolidated Net Income earned in each fiscal quarter beginning with the quarter ending March 31, 2000 (without deduction for losses), PLUS (iii) 100% of any future equity issuance after the date hereof.

6.18.3 LEVERAGE RATIO. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) Consolidated EBITDA for the then most-recently ended four fiscal quarters to be greater than 1.50 to 1.0.

6.18.4 EBITDA. The Borrower will not permit its Consolidated EBITDA as of the end of any fiscal quarter for the then most recently ended four fiscal quarters to be less than \$100,000,000.00.

6.19 NO NEGATIVE PLEDGE.

The Borrower will not, nor will it permit any Material Subsidiary to, enter into any material agreement that would prevent the Borrower or any Material Subsidiary from granting a Lien in, of or on the Property of the Borrower or any of its Material Subsidiaries for the benefit of the Lenders.

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ARTICLE 7

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Material Subsidiaries to the Lenders or the Administrative Agent under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2 Nonpayment of principal of any Loan when due, nonpayment of any Reimbursement Obligation within one (1) Business Day after the same becomes due, or nonpayment of interest upon any Loan or of any commitment fee, LC Fee or other obligations under any of the Loan Documents within five (5) days after the same becomes due.

7.3 The breach by the Borrower of the terms or provisions of Sections 6.10, 6.11, 6.12, 6.16, 6.17 or 6.19. The breach by the Borrower of any of the other terms or provisions of Article 6 which is not remedied within thirty (30) calendar days after the earlier of (i) the day on which an Authorized Officer knows or should have known of such default in the exercise of prudent business practices customary to the industry and (ii) receipt by the Borrower of written or telecopy notice from the Administrative Agent of such default.

7.4 The breach by the Borrower (other than a breach which constitutes a Default under another Section of this Article 7) of any of the terms or provisions of this Agreement which is not remedied within thirty (30) days after written notice from the Administrative Agent or any Lender.

7.5 Failure of the Borrower or any of its Subsidiaries to pay when due any Indebtedness aggregating in excess of \$10,000,000.00 ("Material Indebtedness"); or the default by the Borrower or any of its Subsidiaries in the performance of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6 The Borrower or any of its Material Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7 Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or any

Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismitted or unstayed for a period of thirty (30) consecutive days.

7.8 Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of the Borrower and its Subsidiaries which, when taken together with all other Property of the Borrower and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion.

7.9 The entry of any non-appealable judgments in excess of seven and one-half percent (7.5%) of Borrower's Consolidated Tangible Net Worth in the aggregate against the Borrower and any Material Subsidiary that are not adequately covered by insurance.

7.10 If Borrower has implemented any such Plan, the Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate \$10,000,000.00 or any Reportable Event shall occur in connection with any Plan.

7.11 If Borrower has implemented any such Plan, the Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds \$10,000,000.00 or requires payments exceeding \$10,000,000.00 per annum.

7.12 If Borrower has implemented any such Plan, the Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding \$10,000,000.00.

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7.13 The Borrower or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Borrower, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect as to the Borrower.

7.14 Any Change in Control shall occur.

ARTICLE 8

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 ACCELERATION; FACILITY LC COLLATERAL ACCOUNT.

(i) If any Default described in Section 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, the LC Issuer or any Lender and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Administrative Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"). If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, and (b) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If at any time while any Default is continuing, the Administrative Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Administrative Agent may make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Administrative Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time

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to time have become due and payable by the Borrower to the Lenders or the LC Issuer under the Loan Documents.

(iv) At any time while any Default is continuing, neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Administrative Agent to the Borrower or paid to whomever may be legally entitled thereto at such time.

(v) If, within thirty (30) days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuer to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2 AMENDMENTS.

(a) Subject to the provisions of this Article 8, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; PROVIDED, HOWEVER, that no such supplemental agreement shall, without the consent of all of the Lenders:

(i) Extend the final maturity of any Loan, or extend the expiry date of any Facility LC to a date after the Facility Termination Date or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate of interest, or fees (other than those fees directly agreed upon between the Borrower and the Administrative Agent), or amounts payable by Borrower under Article 3 hereof, or extend the time of payment of interest or fees thereon or Reimbursement Obligations related thereto.

(ii) Reduce the percentage specified in the definition of Required Lenders.

(iii) Extend the Facility Termination Date, or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2, or increase the amount of the Commitment of any Lender hereunder, except as expressly provided in Section 2.1(b), or the commitment to issue Facility LCs, or permit the Borrower to assign its rights under this Agreement.

(iv) Amend this Section 8.2.

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(v) Release any collateral held in the Facility LC Collateral Account (except in accordance with the terms hereof), or all or substantially all of any other collateral, if any, securing any such Credit Extension.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent, no amendment of any provision of this Agreement relating to the Swing Line Lender or any Swing Line Loans shall be effective without the written consent of the Swing Line Lender and no amendment of any provision relating to the LC Issuer shall be effective without the written consent of the LC Issuer. The Administrative Agent may waive payment of the fee required under Section 12.3.2 without obtaining the consent of any other party to this Agreement.

(b) The Lenders hereby agree to make commercially reasonable efforts to respond promptly to any such written notice given by the Administrative Agent to the Lenders.

8.3 PRESERVATION OF RIGHTS.

No delay or omission of a party hereto to exercise any right under the

Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Borrower and by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Borrower, the Administrative Agent, the LC Issuer and the Lenders until the Obligations have been paid in full.

ARTICLE 9

GENERAL PROVISIONS

9.1 SURVIVAL OF REPRESENTATIONS.

All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Credit Extensions herein contemplated, and shall continue in full force and effect until Termination has occurred.

9.2 GOVERNMENTAL REGULATION.

Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

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9.3 HEADINGS.

Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4 ENTIRE AGREEMENT.

The Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the LC Issuer and the Lenders and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, the LC Issuer and the Lenders relating to the subject matter thereof other than the fee letter described in Section 10.13.

9.5 SEVERAL OBLIGATIONS; BENEFITS OF THIS AGREEMENT.

The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns; PROVIDED, HOWEVER, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6 EXPENSES; INDEMNIFICATION.

(i) Subject to the limitations set forth herein, the Borrower shall reimburse the Administrative Agent and the Arranger for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Administrative Agent, but excluding any fees or charges of attorneys that may be employees of the Administrative Agent) paid or reasonably incurred by the Administrative Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Arranger, the LC Issuer and the Lenders for any reasonable costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Administrative Agent, the Arranger, the LC Issuer and the Lenders, but excluding any fees or charges of attorneys that may be employees of the Administrative Agent, the Arranger, the LC Issuer or the Lenders) paid or reasonably incurred by the Administrative Agent, the Arranger, the LC Issuer or any Lender in connection with the collection and enforcement of the Loan Documents; provided, however, Borrower shall have no liability for such costs or expenses if Borrower is the prevailing party in any action to collect or to enforce the Loan Documents. Expenses being reimbursed by the Borrower under this Section include, without limitation, reasonable costs and expenses reasonably incurred in connection with the Reports described in the following sentence. The Borrower acknowledges that from time to time Bank One may prepare and may

distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by Bank One from information furnished to it by or on behalf of the Borrower, after Bank One has exercised its rights of inspection pursuant to this Agreement. Borrower shall not be obligated to reimburse the costs and expenses of more than one (1) such Report per fiscal year of the Borrower.

(ii) Subject to the limitations set forth herein, the Borrower hereby further agrees to indemnify the Administrative Agent, the Arranger, the LC Issuer and each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and reasonable expenses (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Administrative Agent, the Arranger, the LC Issuer, any Lender or any affiliate is a party thereto) which any of them may pay or reasonably incur arising out of or directly relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. To receive indemnification under this Section 9.6(ii), the Administrative Agent, the Arranger, the Lender or the LC Issuer, as the case may be, shall (a) notify Borrower of the claim promptly in writing and furnish Borrower with a copy of each material communication, notice or other action relating to the claim; (b) provide Borrower with all authority, information and assistance (for which Borrower will bear the reasonable expense) Borrower deems reasonably necessary to defend or settle the claim, suit or proceeding, (c) not make any admission, compromise, accept or settle any claim, suit or proceedings, and (d) give Borrower exclusive control of the defense, including the right to select counsel and to enter into a settlement.

(iii) Notwithstanding any other provision herein to the contrary, including but not limited to this Section 9.6, in no event shall Borrower have any liability under the Loan Documents or the transactions contemplated thereby, with respect to, and the Administrative Agent, the Arranger, each Lender and each LC Issuer hereby waives, releases and agrees not to sue for, any incidental, indirect, exemplary, consequential, special or punitive damages, or for any loss of revenue, profits, capital or business or wasted management time, even if Borrower is made aware of the possibility of such damages or they are foreseeable, suffered by the Administrative Agent, the Arranger, each Lender and each LC Issuer in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby, except to the extent the Administrative Agent, the Arranger, each Lender and each LC Issuer is subject to a final, nonappealable judgment for claims for incidental, indirect, consequential, special or punitive damages by other Persons to the extent they are attributable to actions of the Borrower.

(iv) The obligations of the Borrower under this Section 9.6 shall survive the termination of this Agreement and shall continue in full force and effect until Termination has occurred.

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9.7 NUMBERS OF DOCUMENTS.

All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders.

9.8 ACCOUNTING.

Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.9 SEVERABILITY OF PROVISIONS.

Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10 NONLIABILITY OF LENDERS.

The relationship between the Borrower on the one hand and the Lenders, the LC Issuer and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender undertakes any responsibility to the Borrower to review or inform the

Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any incidental, indirect, exemplary, consequential, special or punitive damages, or for any loss of revenue, profits, capital or business or wasted management time, even if such Person is made aware of the possibility of such damages or they are foreseeable, suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby, except to the extent the Borrower, its Subsidiaries or Affiliates is subject to a final, nonappealable judgment for claims for incidental, indirect, consequential, special or punitive damages by other Persons to the extent they are attributable to actions of the Administrative Agent, the Arranger, a Lender or an LC Issuer.

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9.11 CONFIDENTIALITY.

Each Lender agrees to hold any confidential information (the "Information") which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (i) to such of its and its Affiliates' officers, directors, employees, agents and representatives (including outside counsel) as need to know such Information; (ii) to the extent required by applicable laws and regulations or by any subpoena or similar legal process, or requested by any bank regulatory authority (provided that such Lender shall, except for Information requested by any such bank regulatory authority, promptly notify Borrower (to the extent practicable and lawful, notice shall be given to the Borrower before such disclosure is made so as to permit Borrower to seek a protective order) of the circumstances and content of each such disclosure and shall request confidential treatment of any Information so disclosed); (iii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Agreement, (B) becomes available to such Lender on a non-confidential basis without a breach of confidence from a source other than the Borrower or its Affiliates or (C) was available to such Lender on a non-confidential basis prior to its disclosure to such Lender by the Borrower or its Affiliates; (iv) to the extent the Borrower shall have consented to such disclosure in writing, (v) to any Person in connection with any legal proceeding to which such Lender is a party (provided that such Lender, unless legally prevented from doing so, shall promptly notify Borrower as to any such disclosure so as to permit Borrower to seek a protective order), (vi) to such Lender's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, subject to such entities and persons having agreed in writing to abide by the provisions of this Section 9.11, and (vii) permitted by Section 12.4. As used in this Agreement, Information includes by way of illustration and not of limitation, any financial statements, reports, materials, documents, certificates, plans, and any other information that the Borrower or any of its Subsidiaries, Divisions or Affiliates may have furnished or may hereafter furnish to the Administrative Agent or any Lender under the Loan Documents or in connection with the transactions contemplated thereby.

9.12 NONRELIANCE.

Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Credit Extensions provided for herein.

9.13 DISCLOSURE.

The Borrower and each Lender hereby (i) acknowledge and agree that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates, and (ii) waive any liability of Bank One or such Affiliate of Bank One to the Borrower or any Lender, respectively, arising out of or resulting from such investments, loans or relationships other than liabilities arising out of the gross negligence or willful misconduct of Bank One or its Affiliates.

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ARTICLE 10

THE ADMINISTRATIVE AGENT

10.1 APPOINTMENT; NATURE OF RELATIONSHIP.

Bank One, NA is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Administrative Agent")

hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article 10. Notwithstanding the use of the defined term "Administrative Agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Administrative Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 9-105 of the Uniform Commercial Code, and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2 POWERS.

The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Administrative Agent.

10.3 GENERAL IMMUNITY.

Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

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10.4 NO RESPONSIBILITY FOR LOANS, RECITALS, ETC.

Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered solely to the Administrative Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Administrative Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Administrative Agent at such time, but is voluntarily furnished by the Borrower to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

10.5 ACTION ON INSTRUCTIONS OF LENDERS.

The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders or, as may be expressly required herein, all Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 EMPLOYMENT OF ADMINISTRATIVE AGENTS AND COUNSEL.

The Administrative Agent may execute any of its duties as Administrative Agent hereunder and under any other Loan Document by or through

employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any other Loan Document.

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10.7 RELIANCE ON DOCUMENTS; COUNSEL.

The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent.

10.8 ADMINISTRATIVE AGENT'S REIMBURSEMENT AND INDEMNIFICATION.

The Lenders agree to reimburse and indemnify the Administrative Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Administrative Agent in connection with any dispute between two or more of the Lenders), and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents; PROVIDED that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9 NOTICE OF DEFAULT.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default." In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders.

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10.10 RIGHTS AS A LENDER.

In the event the Administrative Agent is a Lender, the Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Loans as any Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, at any time when the Administrative Agent is a Lender, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person.

10.11 LENDER CREDIT DECISION.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender 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 action under

this Agreement and the other Loan Documents.

10.12 SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent or, if no successor Administrative Agent has been appointed, forty-five (45) days after the retiring Administrative Agent gives notice of its intention to resign. The Administrative Agent may be removed at any time with or without cause by written notice received by the Administrative Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders within thirty (30) days after the resigning Administrative Agent's giving notice of its intention to resign, then the resigning Administrative Agent may appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. Notwithstanding the previous sentence, the Administrative Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Administrative Agent hereunder. If the Administrative Agent has resigned or been removed and no successor Administrative Agent has been appointed, the Lenders may perform all the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor

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Administrative Agent has accepted the appointment. Any such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$100,000,000.00. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Administrative Agent. Upon the effectiveness of the resignation or removal of the Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Administrative Agent, the provisions of this Article X shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent.

10.13 ADMINISTRATIVE AGENT'S FEE.

The Borrower agrees to pay to the Administrative Agent, for its own account, the fees agreed to by the Borrower and the Administrative Agent pursuant to that certain letter agreement dated February 17, 2000, or as otherwise agreed from time to time.

10.14 DELEGATION TO AFFILIATES.

The Borrower and the Lenders agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles 9 and 10.

10.15 DOCUMENTATION AGENT AND SYNDICATION AGENT.

Neither the Documentation Agent nor the Syndication Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgements with respect to such Lenders as it makes with respect to the Administrative Agent in Section 10.11.

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ARTICLE 11

SETOFF; RATABLE PAYMENTS

11.1 SETOFF.

In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs after the passage of any cure or notice period, any and all deposits (including all account balances, whether provisional or final and

whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due; provided that such right of setoff shall not apply to amounts which may be held in (i) trust accounts or (ii) asset management accounts, including without limitation brokerage accounts, cash management accounts (other than depository accounts) or other money management or investment accounts of a non-depository nature with any Lender.

11.2 RATABLE PAYMENTS.

If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Share of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE 12

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1 SUCCESSORS AND ASSIGNS.

The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents, and (ii) any assignment by any Lender must be made in compliance with Section 12.3. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and does not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank; PROVIDED, HOWEVER, that no such pledge or assignment creating a security interest shall release the transferor Lender from its

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obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Administrative Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; PROVIDED, HOWEVER, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

12.2 PARTICIPATIONS.

12.2.1 PERMITTED PARTICIPANTS; EFFECT. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Outstanding Credit Exposure of such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2 VOTING RIGHTS. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest which forgives principal, interest, fees

or any Reimbursement Obligation or reduces the interest rate or fees payable with respect to any such Credit Extension or Commitment, extends the Facility Termination Date, postpones any date fixed for any regularly-scheduled payment of principal of, or interest on any Loan in which such Participant has an interest, or any regularly-scheduled payment of fees on any such Credit Extension or Commitment, releases any guarantor of any such Credit Extension or releases any collateral held in the Facility LC Collateral Account (except in accordance with the terms hereof) or all or substantially all of any other collateral, if any, securing any such Credit Extension.

12.2.3 BENEFIT OF SETOFF. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents; PROVIDED that each Lender shall

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retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

12.3 ASSIGNMENTS.

12.3.1 PERMITTED ASSIGNMENTS. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit "C" or in such other form as may be agreed to by the parties thereto. The consent of the Borrower, the Administrative Agent and the LC Issuer shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof; PROVIDED, HOWEVER, that if a Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consents shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate thereof shall (unless each of the Borrower and the Administrative Agent otherwise consents) be in an amount not less than the lesser of (i) \$5,000,000.00, or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Loans (if the applicable Commitment has been terminated).

12.3.2 EFFECT; EFFECTIVE DATE. Upon (i) delivery ("Notice of Assignment") to the Administrative Agent of an assignment, together with any consents required by Section 12.3.1, and (ii) payment of a \$3,500.00 fee to the Administrative Agent for processing such assignment (unless such fee is waived by the Administrative Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Outstanding Credit Exposure under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Outstanding Credit Exposure assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Administrative Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

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12.4 DISSEMINATION OF INFORMATION.

Provided that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement, the Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries, including without limitation any information contained in any Reports.

12.5 TAX TREATMENT.

If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United

States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE 13

NOTICES

13.1 NOTICES.

Except as otherwise permitted by Section 2.15 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender, at its address or facsimile number set forth below its signature hereto or in its administrative questionnaire, or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower in accordance with the provisions of this Section 13.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, five (5) Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; PROVIDED that notices to the Administrative Agent under Article 2 shall not be effective until received.

13.2 CHANGE OF ADDRESS.

The Borrower, the Administrative Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

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ARTICLE 14

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Administrative Agent, the LC Issuer and the Lenders and each party has notified the Administrative Agent by facsimile transmission or telephone that it has taken such action.

ARTICLE 15

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1 CHOICE OF LAW.

THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ARIZONA, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2 CONSENT TO JURISDICTION.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ARIZONA STATE COURT SITTING IN PHOENIX, ARIZONA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE LC ISSUER OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

15.3 WAIVER OF JURY TRIAL.

THE BORROWER, THE ADMINISTRATIVE AGENT, THE LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

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IN WITNESS WHEREOF, the Borrower, the Lenders, the LC Issuer and the Administrative Agent have executed this Agreement as of the date first above written.

MICROCHIP TECHNOLOGY INCORPORATED,
a Delaware corporation

By: /s/ Steve Sanghi

Title: President and Chief Executive Officer

2355 West Chandler Boulevard
Chandler, Arizona 85224-6199
Attention: Chief Financial Officer
Telephone: (480) 786-7374
FAX: (480) 917-4112

COMMITMENTS

\$30,000,000.00

BANK ONE, NA,
Individually, as LC Issuer and as
Administrative Agent

By: /s/ Richard Hillsman

Title: First Vice President

1 Bank One Plaza
Chicago, Illinois 60670
Attention: Gloria Steinbrenner
Telephone: (312) 732-5714
FAX: (312) 732-4840

\$22,500,000.00

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WELLS FARGO BANK, NATIONAL ASSOCIATION,
Individually and as Syndication Agent

By: /s/ Brenda K. Testerman

Title: Vice President

100 West Washington, 25th Floor
MAC S4101-251
Phoenix, Arizona 85003
Attention: Brenda K. Testerman
Telephone: (602) 378-2308
FAX: (602) 378-2350

\$22,500,000.00

BANK OF AMERICA, N.A.,
Individually and as Documentation Agent

By: /s/ Sugeet Manchanda

Title: Vice President

CA5-705-41-02
555 California Street, 41st Floor
San Francisco, California 94104
Attention: Sugeet Manchanda
Telephone: (415) 953-8090
FAX: (415) 622-4057

\$15,000,000.00

BANCA DI ROMA

By: /s/ Thomas C. Woodruff/Richard G. Dietz

Title: Vice President

One Market
Steuart Tower, Suite 1000
San Francisco, California 94105
Attention: Thomas C. Woodruff
Telephone: (415) 977-7308
FAX: (415) 357-9869

\$10,000,000.00

THE NORTHERN TRUST COMPANY

By: /s/ Mark Taylor

Title: Second Vice President

50 South LaSalle Street
Chicago, Illinois 60675
Attention: Mark Taylor
Telephone: (312) 557-2816
FAX: (312) 444-7028

MICROCHIP TECHNOLOGY INCORPORATED

LIST OF SIGNIFICANT SUBSIDIARIES

Microchip Technology Taiwan
30F-1, No. 8
Min Chuan 2nd Road
Kaohsiung, Taiwan
Republic of China

Arizona Microchip Technology Ltd.
Microchip House
505 Eskdale Road, Winnersh Triangle
Wokingham, Berkshire RG41 5TU
England

Microchip Technology (Thailand) Co. Ltd.
14 Moo 1, T. Wangtakien
A. Muang Chacherngsao
Chacherngsao 24000
Thailand

Microchip Technology (Netherlands) Asia B.V.
P.O. Box 75130
1070 AC Amsterdam
The Netherlands

Microchip Technology (Netherlands) Europe B.V.
P.O. Box 75127
1070 AC Amsterdam
The Netherlands

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Microchip Technology Incorporated:

We consent to incorporation by reference in the registration statements on Form S-8 Nos. 33-59686 dated March 17, 1993, 33-80072 dated June 10, 1994, 33-81690 dated July 18, 1994, 33-83196 dated August 24, 1994, 333-872 dated January 23, 1996, 333-40791 dated November 21, 1997, 333-67215 dated November 13, 1998 and 333-93571 dated December 23, 1999 of Microchip Technology Incorporated of our report dated April 19, 2000, relating to the consolidated balance sheets of Microchip Technology Incorporated and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 2000, which report appears in the March 31, 2000 annual report on Form 10-K of Microchip Technology Incorporated.

/s/ KPMG LLP

Phoenix, Arizona
June 6, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That the undersigned officer and/or director of Microchip Technology Incorporated, a Delaware corporation (the "Company"), does hereby constitute and appoint STEVE SANGHI AND GORDON W. PARNELL, and each of them, with full power to each of them to act alone, as the true and lawful attorneys and agents of the undersigned, with full power of substitution and resubstitution to each of said attorneys to execute, file or deliver any and all instruments and to do any and all acts and things which said attorneys and agents, or any of them, deem advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereto relating to annual reports on Form 10-K, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign such person's name individually and on behalf of the Company as an officer and/or director (as indicated below opposite such person's signature) to the Company's annual reports on Form 10-K or any amendments or papers supplemental thereto; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents or any of them, shall do or cause to be done by virtue hereof. This Power of Attorney revokes any and all previous powers of attorney granted by any of the undersigned which such power would have entitled said attorneys and agents, or any of them, to sign such person's name, individually or on behalf of the Company, to any Form 10-K.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 30th day of May, 2000.

NAME	TITLE
/s/ Steve Sanghi - ----- Steve Sanghi	Director, President and Chairman of the Board (Principal Executive Officer)
/s/ Gordon W. Parnell - ----- Gordon W. Parnell	Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)
/s/ Albert J. Hugo-Martinez - ----- Albert J. Hugo-Martinez	Director
/s/ L. B. Day - ----- L. B. Day	Director
/s/ Matthew W. Chapman - ----- Matthew W. Chapman	Director
/s/ Wade F. Meyercord - ----- Wade F. Meyercord	Director

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