

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 27, 1999

OR

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

For the transition period from _____ to _____

Commission File Number 1-7882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-1692300

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One AMD Place
Sunnyvale, California 94086

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 732-2400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of \$0.01 par value common stock outstanding as of July 16, 1999: 147,211,278.

ADVANCED MICRO DEVICES, INC.

<TABLE>
<CAPTION>

INDEX

Part I. Financial Information

<S>

	Page No. ----- <C>
Item 1. Financial Statements	
Condensed Consolidated Statements of Operations -- Quarters Ended June 27, 1999 and June 28, 1998, and Six Months Ended June 27, 1999 and June 28, 1998	3
Condensed Consolidated Balance Sheets -- June 27, 1999 and December 27, 1998	4
Condensed Consolidated Statements of Cash Flows -- Six Months Ended June 27, 1999 and June 28, 1998	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and	14

Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk	40
Part II. Other Information	

Item 1. Legal Proceedings	41
Item 4. Submission of Matters to a Vote of Security Holders	42
Item 6. Exhibits and Report on Form 8-K	42
Signature	45

2

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(Thousands except per share amounts)

<TABLE>
<CAPTION>

	Quarter Ended		Six Months Ended	
	June 27,	June 28,	June 27,	
	1999	1998	1999	
	-----	-----	-----	---
June 28,				
1998				

<S>	<C>	<C>	<C>	<C>
Net sales	\$ 595,109	\$ 526,538	\$1,226,702	
\$1,067,394				
Expenses:				
Cost of sales	458,339	390,140	908,770	
813,731				
Research and development	167,278	139,158	327,224	
267,278				
Marketing, general and administrative	124,520	101,198	251,830	
189,412				
Restructuring and other special charges	17,514	-	32,530	
-				

	767,651	630,496	1,520,354	
1,270,421				

Operating loss	(172,542)	(103,958)	(293,652)	
(203,027)				
Gain on sale of Vantis	432,059	-	432,059	
-				
Litigation settlement	-	-	-	
(11,500)				
Interest income and other, net	7,252	8,518	18,020	
14,099				
Interest expense	(18,087)	(17,663)	(38,850)	
(30,135)				

Income (loss) before income taxes and equity in joint venture	248,682	(113,103)	117,577	
(230,563)				
Provision (benefit) for income taxes	172,823	(44,110)	167,350	
(91,107)				

Income (loss) before equity in joint venture	75,859	(68,993)	(49,773)	
(139,456)				
Equity in net income of joint venture	4,037	4,433	1,302	
12,169				

Net income (loss) (127,287)	\$ 79,896	\$ (64,560)	\$ (48,471)	\$
Net income (loss) per common share:				
Basic (0.89)	\$ 0.54	\$ (0.45)	\$ (0.33)	\$
Diluted (0.89)	\$ 0.53	\$ (0.45)	\$ (0.33)	\$
Shares used in per share calculation:				
Basic 142,983	146,947	143,462	146,428	
Diluted 142,983	149,540	143,462	146,428	

See accompanying notes

3

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS*

(Thousands)

<TABLE>
<CAPTION>

	June 27, ----- 1999 -----	December 27, ----- 1998 -----
Assets		
Current assets:		
Cash and cash equivalents	\$ 220,638	\$ 361,908
Short-term investments	430,192	335,117
Total cash, cash equivalents and short-term investments	650,830	697,025
Accounts receivable, net	320,755	415,557
Inventories:		
Raw materials	12,582	21,185
Work-in-process	102,667	129,036
Finished goods	87,807	24,854
Total inventories	203,056	175,075
Deferred income taxes	49,827	205,959
Prepaid expenses and other current assets	73,407	68,411
Total current assets	1,297,875	1,562,027
Property, plant and equipment, at cost	4,733,992	4,380,362
Accumulated depreciation and amortization	(2,195,873)	(2,111,894)
Property, plant and equipment, net	2,538,119	2,268,468
Investment in joint venture	228,881	236,820
Other assets	181,134	185,653
	\$ 4,246,009	\$ 4,252,968

Liabilities and Stockholders' Equity

Current liabilities:		
Notes payable to banks	\$ 5,762	\$ 6,017
Accounts payable	300,538	333,975
Accrued compensation and benefits	91,539	80,334
Accrued liabilities	161,789	168,280
Income tax payable	10,917	22,026
Deferred income on shipments to distributors	81,263	84,523
Current portion of long-term debt, capital lease obligations and other	131,364	145,564
Total current liabilities	783,172	840,719

Deferred income taxes	60,113	34,784
Long-term debt, capital lease obligations and other, less current portion	1,440,563	1,372,416
Commitments and contingencies		
Stockholders' equity:		
Capital stock:		
Common stock, par value	1,490	1,465
Capital in excess of par value	1,102,723	1,071,591
Retained earnings	913,700	962,171
Accumulated other comprehensive loss	(55,752)	(30,178)
Total stockholders' equity	1,962,161	2,005,049
	<u>\$ 4,246,009</u>	<u>\$ 4,252,968</u>

</TABLE>

* Amounts as of June 27, 1999, are unaudited. Amounts as of December 27, 1998, are derived from the December 27, 1998, audited financial statements.

See accompanying notes

- - - - -

4

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

<TABLE>
<CAPTION>

	Six Months Ended	
	June 27, 1999	June 28, 1998
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (48,471)	\$ (127,287)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on sale of Vantis	(432,059)	-
Depreciation and amortization	255,371	225,334
Net decrease (increase) in deferred income tax assets	166,419	(99,066)
Restructuring and other special charges	25,038	-
Foreign grant and subsidy income	(25,405)	-
Net loss on disposal of property, plant and equipment	5,336	1,282
Net gain realized on sale of available-for-sale securities	(4,250)	-
Undistributed income of joint venture	(1,302)	(12,169)
Recognition of deferred gain on sale of building	(840)	-
Net compensation recognized on employee stock options	(63)	3,632
Changes in operating assets and liabilities:		
Net decrease in receivables, inventories, prepaid expenses and other assets	22,491	67,790
Net increase in payables and accrued liabilities	31,391	7,963
(Decrease) increase in income tax payable	(11,402)	4,111
	-----	-----
Net cash (used in) provided by operating activities	(17,746)	71,590
Cash flows from investing activities:		
Proceeds from sale of Vantis	454,269	-
Purchase of property, plant and equipment	(347,446)	(490,175)
Proceeds from sale of property, plant and equipment	2,915	6,482
Purchase of available-for-sale securities	(1,041,084)	(951,786)
Proceeds from sale of available-for-sale securities	935,686	647,630
	-----	-----
Net cash provided by (used in) investing activities	4,340	(787,849)
Cash flows from financing activities:		
Proceeds from borrowings	5,835	573,865
Payments on debt and capital lease obligations	(149,398)	(36,189)
Deferred financing costs	-	(12,783)
Proceeds from foreign grants	-	91,355
Proceeds from issuance of stock	27,256	21,575
	-----	-----
Net cash (used in) provided by financing activities	(116,307)	637,823
Effect of exchange rate changes on cash and cash equivalents	(11,557)	(2,056)
	-----	-----
Net decrease in cash and cash equivalents	(141,270)	(80,492)

Cash and cash equivalents at beginning of period	361,908	240,658
Cash and cash equivalents at end of period	\$ 220,638	\$ 160,166
Supplemental disclosures of cash flow information:		
Cash paid (refunded) during the first six months for:		
Interest	\$ 46,449	\$ 32,416
Income Taxes	\$ 9,768	\$ (1,719)

</TABLE>

See accompanying notes

5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 26, 1999. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The interim financial statements should be read in conjunction with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 27, 1998.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended June 27, 1999 and June 28, 1998 each included 13 weeks.

Certain prior year amounts on the condensed consolidated financial statements have been reclassified to conform to the 1999 presentation.

2. Restructuring and Other Special Charges

Restructuring and other special charges were \$17.5 million in the second quarter of 1999 and \$15.0 million in the first quarter of 1999. These charges were the result of the Company's efforts to better align its cost structure with expected revenue growth rates. The restructuring efforts resulted in non-cash charges for the:

- . closure of a submicron development laboratory facility;
- . write-off of equipment in the Submicron Development Center (SDC);
- . write-off of equipment taken out of service in Fab 25, the Company's integrated circuit (IC) manufacturing facility located in Austin, Texas, related to the 0.35-micron wafer fabrication process; and
- . write-off of capitalized costs related to discontinued system projects.

Cash charges consisted of:

- . severance and benefits to terminated employees including 50 employees in the Information Technology department and 128 employees in the SDC and sales offices;
- . costs for leases of vacated and unused sales offices; and
- . costs for the disposal of equipment taken out of service in Fab 25 and the SDC.

6

The restructuring and other special charges for 1999 are as follows:

(Thousands) (Unaudited) Total	Severance and Employee Benefits	Facilities	Equipment	Equipment Disposal Costs	Discontinued System Projects
<S>	<C>	<C>	<C>	<C>	<C>
Q1 99 charges \$ 15,016	\$ 779	\$ -	\$ 8,148	\$ -	\$ 6,089
Non-cash charges	-	-	(8,148)	-	(6,089)

(14,237)

Reserves at March 28, 1999	779	-	-	-	-
Q2 99 charges	2,245	968	10,801	3,500	-
Cash charges	(1,360)	-	-	-	-
Non-cash charges	-	-	(10,801)	-	-
Reserves at June 27, 1999	\$ 1,664	\$968	\$ -	\$3,500	\$ -

</TABLE>

The Company's remaining reserves for severance and employee benefits will be paid during the third quarter of 1999. The Company anticipates that the remaining reserves for sales office facilities will be utilized over the period through lease termination in the second quarter of 2002. The remaining reserves for the equipment disposal costs will be fully discharged by the first quarter of 2000.

3. Available-For-Sale Securities

The following is a summary of available-for-sale securities:

<TABLE>
<CAPTION>

(Thousands) (Unaudited)	June 27, 1999
Cash equivalents:	
Money market funds	\$ 169,000
Commercial paper	29,770
Total cash equivalents	\$ 198,770
Short-term investments:	
Treasury notes	\$ 4,258
Bank notes	10,139
Federal agency notes	50,137
Money market auction rate preferred stocks	150,500
Certificates of deposit	62,259
Corporate notes	30,796
Commercial paper	122,103
Total short-term investments	\$ 430,192
Long-term investments:	
Equity investments	\$ 18,528
Commercial paper	9,999
Treasury notes	1,907
Total long-term investments (included in other assets)	\$ 30,434

</TABLE>

4. Debt

The 1996 syndicated bank loan agreement (the Credit Agreement) provided for a \$150 million three-year secured revolving line of credit and a \$250 million four-year secured term loan. On June 25, 1999, we terminated the secured revolving line of credit. Approximately \$86 million of the four-year secured term loan was outstanding as of June 27, 1999. As of June 27, 1999, we were in compliance with all covenants under the Credit Agreement. In July 1999, we repaid the outstanding balance on the secured term loan, terminated the Credit Agreement and replaced the Credit Agreement with a new Loan and Security Agreement (the Loan Agreement) with a consortium of banks led by Bank of America. Under the Loan Agreement, which provides for a four-year secured revolving line of credit of up to \$200 million, we can borrow up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of our eligible accounts receivable from distributors, subject to reserves which may be set aside by the lenders. The Company will be subject to compliance with certain financial covenants if the levels of domestic cash it holds declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations

under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds.

8

5. Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average common shares outstanding. Diluted net income per common share is computed using the weighted average common shares outstanding plus any potential dilutive securities. Dilutive securities include stock options, restricted stocks, warrants and convertible debt. The following table sets forth the computation of basic and diluted net income (loss) per common share:

<TABLE>
<CAPTION>

(Thousands except per share data) (Unaudited)	Quarter Ended		Six Months Ended	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
<S>	<C>	<C>	<C>	<C>
Numerator:				
Numerator for basic and diluted net income (loss) per common share	\$ 79,896 =====	\$ (64,560) =====	\$ (48,471) =====	\$ (127,287) =====
Denominator:				
Denominator for basic net income (loss) per common share - weighted-average shares	146,947	143,462	146,428	142,983
Effect of dilutive securities:				
Employee stock options	2,538	-	-	-
Restricted stock	55	-	-	-
Dilutive potential common shares	2,593	-	-	-
Denominator for diluted net income (loss) per common share - adjusted weighted-average shares	149,540 =====	143,462 =====	146,428 =====	142,983 =====
Basic net income (loss) per common share	\$ 0.54 =====	\$ (0.45) =====	\$ (0.33) =====	\$ (0.89) =====
Diluted net income (loss) per common share	\$ 0.53 =====	\$ (0.45) =====	\$ (0.33) =====	\$ (0.89) =====

</TABLE>

Options to purchase 8,223,255 shares of common stock at a weighted-average price of \$17.48 per share were outstanding during the quarter ended June 27, 1999, but were not included in the computation of diluted net income per common share because the options' exercise price was greater than the average market price of the common shares during the period. Options and restricted stock were outstanding during the quarter ended June 28, 1998 and both of the six month periods ended June 27, 1999 and June 28, 1998, but were not included in the computation of diluted net loss per common share because the effect in periods with a net loss would be antidilutive. Warrants and convertible debt were outstanding during both of the six month periods ended June 27, 1999 and June 28, 1998, but were not included in the computation of diluted net loss per common share because the effect in periods with a net loss would be antidilutive.

6. Investment in Joint Venture

In 1993, AMD and Fujitsu Limited formed a joint venture, Fujitsu AMD Semiconductor Limited (FASL), for the development and manufacture of non-volatile memory devices. FASL operates

9

advanced IC manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices. The Company's share of FASL is 49.992 percent and the investment is being accounted for under the equity method. As of June 27, 1999, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in a decrease in the investment in FASL of \$34 million. The following are the significant FASL related-party transactions and balances:

<TABLE>
<CAPTION>

Quarter Ended		Six Months Ended	
June 27,	June 28,	June 27,	June 28,

(Thousands) (Unaudited)	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Royalty income	\$ 6,134	\$ 4,773	\$ 10,737	\$ 10,674
Purchases	61,618	50,727	118,776	110,682

(Thousands) (Unaudited)	June 27, 1999	December 27, 1998
	-----	-----
Royalty receivable	\$ 5,546	\$ 6,027
Accounts payable	32,875	39,424

</TABLE>

The following is condensed unaudited financial data of FASL:

<TABLE>
<CAPTION>

(Thousands) (Unaudited)	Quarter Ended		Six Months Ended	
	June 27 1999	June 28, 1998	June 27 1999	June 28, 1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 118,398	\$ 97,908	\$ 215,670	\$ 216,909
Gross profit	24,836	16,737	18,670	33,451
Operating income	24,310	16,044	17,443	29,973
Net income	14,034	7,814	9,880	18,364

</TABLE>

The Company's share of the above FASL net income differs from the equity in net income of joint venture reported on the condensed consolidated statements of operations due to the elimination of intercompany unrealized profits which are reflected on the Company's condensed consolidated statements of operations.

7. Segment Reporting

During the six months ended June 27, 1999, AMD had two principal businesses and had two reportable segments: (1) the AMD segment, which consists of three product groups-Computation Products Group, Memory Group and Communications Group, and (2) the Vantis segment, which consists of the Company's programmable logic subsidiary, Vantis Corporation (Vantis). The reportable segments were organized as discrete and separate functional units with separate management teams and separate performance assessment and resource allocation processes. The AMD segment produces microprocessors, core logic products, Flash memory devices, Erasable Programmable Read-Only Memory (EPROM) devices, telecommunication products, networking and

10

input/output (I/O) products and embedded processors. The Vantis segment produced complex and simple, high-performance complementary metal oxide semiconductor (CMOS) programmable logic devices (PLDs).

On June 15, 1999, AMD completed the sale of Vantis to Lattice Semiconductor Corporation. Therefore, results from the second quarter of 1999 included operations of the Vantis segment only through June 15, 1999. (See Note 8.)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies contained in the Company's financial statements in its annual report on Form 10-K for the year ended December 27, 1998. The Company evaluates performance and allocates resources based on segment operating income (loss).

<TABLE>
<CAPTION>

(Thousands) (Unaudited)	Quarter Ended		Six Months Ended	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales:				
AMD segment				
External customers	\$ 555,574	\$ 474,599	\$1,140,010	\$ 959,231
Intersegment	15,450	25,340	32,626	48,649
	-----	-----	-----	-----
	571,024	499,939	1,172,636	1,007,880

Vantis segment external customers	39,535	51,939	86,692	108,163
Elimination of intersegment sales (48,649)	(15,450)	(25,340)	(32,626)	
	-----	-----	-----	-----
Net sales	\$ 595,109	\$ 526,538	\$1,226,702	\$1,067,394
	=====	=====	=====	=====
Segment income (loss):				
AMD segment (217,251)	\$ (171,813)	\$ (106,538)	\$ (299,291)	\$
Vantis segment	(729)	2,580	5,639	14,224
	-----	-----	-----	-----
Total operating loss (203,027)	(172,542)	(103,958)	(293,652)	
Gain on sale of Vantis Litigation settlement (11,500)	432,059	-	432,059	-
	-	-	-	
Interest income and other, net	7,252	8,518	18,020	14,099
Interest expense (30,135)	(18,087)	(17,663)	(38,850)	
(Provision) Benefit for income taxes	(172,823)	44,110	(167,350)	91,107
Equity in net income of FASL (AMD segment)	4,037	4,433	1,302	12,169
	-----	-----	-----	-----
Net income (loss) (127,287)	\$ 79,896	\$ (64,560)	\$ (48,471)	\$
	=====	=====	=====	=====

</TABLE>

8. Sale of Vantis Corporation

On June 15, 1999, AMD sold Vantis to Lattice Semiconductor Corporation for approximately \$500 million in cash. AMD received, net of cash and cash equivalents of about \$46 million held by Vantis, approximately \$454 million. AMD's pre-tax gain on the sale of Vantis was \$432 million,

11

subject to adjustment, if any, based on the final determination of the net asset value of Vantis at June 15, 1999. The gain is computed based on Vantis' preliminary net assets as of June 15, 1999 and other direct expenses related to the sale. The applicable tax rate on the gain was 40 percent.

Subsequent to the Vantis sale, the Company will continue to provide services to Vantis pursuant to various re-negotiated service contracts. According to the service contracts, the Company will continue to provide, among other things, wafer fabrication and assembly, test, mark, pack services to Vantis. The wafer, fabrication and assembly, test, mark and pack service agreements will continue until September 2003.

9. Comprehensive Income (Loss)

Under Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," unrealized gains or losses on the Company's available-for-sale securities and foreign currency translation adjustments are included in other comprehensive loss.

The following are the components of comprehensive income (loss):

<TABLE>

<CAPTION>

(Thousands) (Unaudited)	Quarter Ended		Six Months Ended	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net income (loss)	\$ 79,896	\$ (64,560)	\$ (48,471)	\$ (127,287)
Foreign currency translation adjustments	(19,679)	(8,368)	(29,990)	(15,681)
Unrealized gains on securities, net of tax:				
Unrealized gains on investments arising during the period	6,244	7,897	7,869	6,669
Less: Reclassification adjustment for gains included in earnings	-	-	(3,453)	-
	-----	-----	-----	-----
Other comprehensive loss	(13,435)	(471)	(25,574)	(9,012)
	-----	-----	-----	-----
Comprehensive income (loss)	\$ 66,461	\$ (65,031)	\$ (74,045)	\$ (136,299)
	=====	=====	=====	=====

</TABLE>

The components of accumulated other comprehensive loss, net of related tax, are as follows:

<TABLE>
<CAPTION>

(Thousands) (Unaudited)	June 27, 1999	December 27, 1998
	-----	-----
<S>	<C>	<C>
Unrealized gain on investments, net of tax	\$ 11,176	\$ 6,760
Cumulative translation adjustments	(66,928)	(36,938)
	-----	-----
	\$ (55,752)	\$ (30,178)
	=====	=====

</TABLE>

10. Contingencies

AMD V. ALTERA CORPORATION. This litigation, which began in 1994, involves multiple claims and counterclaims for patent infringement relating to AMD's and Altera Corporation's programmable logic devices. In a trial held in May 1996, a jury found that five of the eight AMD patents-

12

in-suit were licensed to Altera. As a result of the bench trial held in August 1997, the Court held that Altera was licensed to the three remaining AMD patents-in-suit. Seven patents were asserted by Altera in its counterclaim against AMD. The Court determined that the Company is licensed to five of the seven patents and two remain in suit. Altera filed a motion to recover attorneys' fees in November 1997. The Company then filed, and the Court granted, a motion to stay determination of the attorneys' fees motion until resolution of its appeal. The Company filed an appeal of the rulings of the jury and Court determinations that Altera is licensed to each of its eight patents-in-suit. Both parties filed briefs and the Federal Court of Appeal heard oral argument on our appeal in November 1998. In April 1999, the Federal Court of Appeal reversed the earlier jury and Court decisions and held that Altera is not licensed to the eight AMD patents-in-suit. Also in April 1999, and following the decision of the Federal Court of Appeal, Altera filed a petition for rehearing. In June 1999, in connection with the sale of Vantis to Lattice Semiconductor Corporation, AMD transferred this proceeding and substantially all of its rights and liabilities relating to this action to Vantis.

SECURITIES CLASS ACTION LITIGATIONS. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in the following lawsuits: Arthur S. Feldman v. Advanced Micro Devices, Inc., et al.; Pamela Lee v. Advanced Micro Devices, Inc., et al.; Izidor Klein v. Advanced Micro Devices, Inc., et al.; Nancy P. Steinman v. Advanced Micro Devices, Inc., et al.; Robert L. Dworkin v. Advanced Micro Devices, Inc., et al.; Howard M. Lasker v. Advanced Micro Devices, Inc., et al.; John K. Thompson v. Advanced Micro Devices, Inc., et al.; Dan Schwartz v. Advanced Micro Devices, Inc., et al.; Serena Salamon and Norman Silverberg v. Advanced Micro Devices, Inc., et al.; David Wu and Hossein Mizraie v. Advanced Micro Devices, Inc., et al.; Eidman v. Advanced Micro Devices, Inc., et al.; Nold v. Advanced Micro Devices, Inc., et al.; Freeland v. Advanced Micro Devices, Inc., et al.; Fradkin v. Advanced Micro Devices, Inc. et al.; Ellis Investment Co. v. Advanced Micro Devices, Inc., et al.; Dezwareh v. Advanced Micro Devices, Inc., et al.; and Tordjman v. Advanced Micro Devices, Inc., et al. These class action complaints allege various violations of federal securities law, including violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder. Most of the complaints purportedly were filed on behalf of all persons, other than the defendants, who purchased or otherwise acquired common stock of AMD during the period from October 6, 1998 to March 8, 1999. Two of the complaints allege a class period from July 13, 1998 to March 9, 1999. All of the complaints allege that materially misleading statements and/or material omissions were made by AMD and certain individual officers of AMD concerning design and production problems relating to high-speed versions of the AMD-K6(R)-2 and AMD-K6-III microprocessors. The complaints seek unspecified damages, equitable relief, interest, fees and other litigation costs.

The Company expects that these suits will be consolidated into one action within the next several months. AMD intends to contest the litigation vigorously. Based upon information presently known to management, the Company does not believe that the ultimate resolution of these lawsuits will have a material adverse effect on our financial condition or results of operations.

13

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to access external sources of capital; our ability to transition to new process technologies; our ability to produce the AMD Athlon microprocessor in the volume required by customers on a timely basis; our ability, and the ability of third parties, to provide timely infrastructure solutions (motherboards and chipsets) to support the AMD Athlon microprocessor; customer and market acceptance of the AMD Athlon microprocessor; our ability to maintain average selling prices for the AMD Athlon microprocessor; strengthening demand for Flash memory devices; Year 2000 costs; the impact on our business as a result of Year 2000 issues; the impact on customers and suppliers as they prepare for the Year 2000; our new integrated circuit manufacturing and design facility in Dresden, Germany (Dresden Fab 30); and the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties as are detailed in our other Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto as of December 27, 1998, and December 28, 1997, and for each of the three years in the period ended December 27, 1998.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, K86, AMD-K6, AMD-K6-2, AMD-K6-III, AMD Athlon and 3DNow! are either trademarks or registered trademarks of Advanced Micro Devices, Inc. Vantis is a trademark of Vantis Corporation. Microsoft and Windows are either registered trademarks or trademarks of Microsoft Corporation. Pentium is a registered trademark and Celeron is a trademark of Intel Corporation. Other terms used to identify companies and products may be trademarks of their respective owners.

RESULTS OF OPERATIONS

During the six months ended June 27, 1999, we participated in all three technology areas within the digital integrated circuit (IC) market - memory circuits, logic circuits and microprocessors - through (1) our AMD segment, which consists of our three product groups - Computation Products Group (CPG), Memory Group and Communications Group and (2) our Vantis segment, which consisted of our former programmable logic subsidiary, Vantis Corporation (Vantis). CPG products include microprocessors, core logic products and embedded processors. Memory Group products include Flash memory devices and Erasable Programmable Read-Only Memory (EPROM) devices. Communications Group products include telecommunication products, networking, and input/output (I/O) products. Vantis products are complex and simple high-performance complementary metal oxide semiconductor (CMOS) programmable logic devices (PLDs).

On June 15, 1999, we completed the sale of our Vantis segment to Lattice Semiconductor Corporation for approximately \$500 million in cash. The actual cash received was approximately \$454 million, which was net of Vantis' cash and cash equivalent balance of approximately \$46 million as of the closing.

The following is a summary of the net sales of the AMD and Vantis segments for the periods presented below:

<TABLE>
<CAPTION>

(Millions)	Quarter Ended			Six Months Ended	
	June 27, 1999	March 28, 1999	June 28, 1998	June 27, 1999	June 28, 1998
<S>	<C>	<C>	<C>	<C>	<C>
AMD Segment:					
CPG	\$ 317	\$ 395	\$ 272	\$ 712	\$ 502
Memory Group	166	126	132	292	299
Communications Group	70	64	71	133	158
Other	2	-	-	2	-
	-----	-----	-----	-----	-----
	555	585	475	1,139	959
Vantis Segment	40	47	52	87	108
	-----	-----	-----	-----	-----
Total	\$ 595	\$ 632	\$ 527	\$1,226	\$1,067
	=====	=====	=====	=====	=====

</TABLE>

Net Sales Comparison of Quarters Ended June 27, 1999 and March 28, 1999

Net sales for the second quarter of 1999 decreased by six percent compared to the first quarter of 1999.

CPG net sales of \$317 million decreased 20 percent in the second quarter of 1999 compared to the first quarter of 1999 due primarily to a decrease in sales of microprocessors. Net sales from our AMD-K6(R) family of microprocessors substantially declined from the previous quarter as a result of aggressive Intel marketing, pricing and product bundling. Unit shipments declined approximately 14 percent, and the average selling price declined approximately 15 percent for our AMD-K6 family of microprocessors compared to the previous quarter. We expect net sales from our AMD-K6

15

family of microprocessors to decline due to the decreasing average selling prices. CPG sales growth during the remainder of 1999 is dependent on a successful production ramp and market acceptance of our AMD Athlon(TM) microprocessor, as to which we cannot give any assurance.

Memory Group net sales of \$166 million increased by 32 percent in the second quarter of 1999 compared to the first quarter of 1999 as a result of strong growth in unit shipments of Flash memory devices at higher average selling prices, slightly offset by a decline in unit shipments of EPROM devices. Demand for Flash memory devices, particularly in the cellular phone industry, grew during the second quarter of 1999. Demand for EPROM devices continues to decline due to a shift away from EPROM devices to Flash memory devices. As a result of this ongoing trend, we continue to expect future EPROM sales to decline.

Communications Group net sales of \$70 million increased nine percent in the second quarter of 1999 compared to the first quarter of 1999. This was due to an increase in unit shipments of telecommunication products as a result of improved Asian and world economies, particularly in China and Latin America. This increase was partially offset by a decrease in average selling prices of communication products due to price pressures, and a decrease in net sales of networking products. Sales of our new higher-performance networking products have not grown enough to offset the decline in sales of our older products.

Vantis net sales of \$40 million decreased 15 percent in the second quarter of 1999 compared to the first quarter of 1999, primarily as a result of only 11 weeks of sales in the second quarter due to the sale of Vantis on June 15, 1999, as compared to a full 13 weeks of sales in the prior quarter.

Net Sales Comparison of Quarters Ended June 27, 1999 and June 28, 1998

Net sales for the second quarter of 1999 increased by 13 percent compared to the second quarter of 1998.

CPG net sales increased by 17 percent in the second quarter of 1999 compared to the same quarter in the previous year due primarily to an increase in sales of microprocessors. Unit shipments of our AMD-K6 family of microprocessors increased 40 percent as a result of our development of a broader and stronger customer base and more competitive products. This increase in unit shipments was partially offset by a 20 percent decrease in average selling prices. Aggressive Intel marketing, pricing and product bundling in the second quarter of 1999 caused the decline of the average selling price of our AMD-K6 family of microprocessors compared to the same period in 1998. We expect net sales from our AMD-K6 family of microprocessors to decline due to the decreasing average selling prices. CPG sales growth during the remainder of 1999 is dependent on a successful production ramp and market acceptance of our AMD Athlon microprocessor, as to which we cannot give any assurance.

Memory Group net sales increased by 26 percent in the second quarter of 1999 compared to the second quarter of 1998. We experienced significant growth in unit shipments of Flash memory devices, which were partially offset by lower average selling prices of Flash memory devices and lower net sales of EPROM devices. Demand for Flash memory devices, particularly in the cellular phone industry, grew during the second quarter of 1999. Demand for EPROM devices

16

continues to decline with the shift away from EPROM devices to Flash memory devices. As a result of this ongoing trend, we continue to expect future EPROM sales to decline.

Communications Group net sales were relatively flat in the second quarter of 1999 compared to the second quarter of 1998. This was due to a combination of a slight decrease in net sales of telecommunication products and a slight increase in net sales of networking products.

Vantis net sales decreased by 23 percent in the second quarter of 1999 compared to the second quarter of 1998. This decrease was due to lower sales of SPLD products which were partially offset by higher sales of CPLD products, as well

as only 11 weeks of sales in the second quarter due to the sale of Vantis on June 15, 1999, as compared to a full 13 weeks of sales in the second quarter of 1998.

Net Sales Comparison of Six Months Ended June 27, 1999 and June 28, 1998

Net sales for the first half of 1999 increased by 15 percent compared to the first half of 1998.

CPG net sales increased by 42 percent in the first half of 1999 compared to the first half of 1998. Our net sales of AMD-K6 family of microprocessors doubled during this period. Growth in our AMD-K6 family of microprocessors was primarily driven by a 91 percent increase in unit shipments which resulted from our development of a stronger customer base and more competitive products. Aggressive Intel marketing, pricing and product bundling in the first half of 1999 caused the decline of the average selling price of our AMD-K6 family of microprocessors from the first half of 1998. We expect net sales from our AMD-K6 family of microprocessors to decline due to the decreasing average selling prices. CPG sales growth during the remainder of 1999 is dependent on a successful production ramp and market acceptance of our AMD Athlon microprocessor, as to which we cannot give any assurance.

Memory Group net sales decreased two percent in the first half of 1999 compared to the first half of 1998 due to lower net sales of EPROM devices. This decrease was partially offset by slightly higher net sales of Flash memory devices as a result of growing demand for Flash in the latter part of the period. Demand for EPROM devices continues to decline with the shift away from EPROM devices to Flash memory devices. As a result of this ongoing trend, we continue to expect future EPROM sales to decline.

Communications Group net sales decreased 16 percent in the first half of 1999 compared to the first half of 1998. This decrease was a result of fewer unit shipments as well as lower average selling prices of both telecommunication and networking products. During the later part of the period, sales of our telecommunication products increased, but not enough to have a significant impact on the full period. Sales of our new higher-performance networking products have not grown enough to offset the decline in sales of our older products.

17

Vantis net sales decreased 19 percent in the first half of 1999 compared to the first half of 1998. This decrease was due to lower sales of SPLD products which were partially offset by higher sales of CPLD products, as well as only 24 weeks of sales in the first half of 1999 due to the sale of Vantis on June 15, 1999, as compared to a full 26 weeks of sales in the first half of 1998.

Comparison of Expenses, Gross Margin Percentage and Interest

The following is a summary of expenses, gross margin percentage and interest income and other, net for the periods presented below:

<TABLE>
<CAPTION>

	Quarter Ended			Six Months Ended	
	June 27, 1999	March 28, 1999	June 28, 1998	June 27, 1999	June 28, 1998
(Millions except for gross margin percentage)					
<S>	<C>	<C>	<C>	<C>	<C>
Cost of sales	\$ 458	\$ 450	\$ 390	\$ 909	\$ 814
Gross margin percentage	23 %	29 %	26 %	26 %	24 %
Research and development	167	160	139	327	267
Marketing, general and administrative	125	127	101	252	189
Restructuring and other special charges	18	15	-	33	-
Gain on sale of Vantis	432	-	-	432	-
Litigation settlement	-	-	-	-	12
Interest income and other, net	7	11	8	18	14
Interest expense	18	21	18	39	30

We operate in an industry characterized by high fixed costs due to the capital-intensive manufacturing process, particularly due to the state-of-the-art production facilities required for microprocessors. As a result, gross margin is significantly affected by fluctuations in product sales. Gross margin percentage growth is dependent on increased sales from microprocessor and other products as fixed costs continue to rise due to additional capital investments made as we continue to expand production capacity.

Gross margin percentage of 23 percent in the second quarter of 1999 decreased from 29 percent in the first quarter of 1999. The decrease in gross margin percentage was due to lower net sales of microprocessors and higher fixed costs. Fixed costs will continue to increase as we introduce equipment for 0.18-micron process technology capacity and facilitate Fab 25, our IC manufacturing facility

in Austin, Texas. Dresden Fab 30 will also contribute to an increase in cost of sales at the time it begins producing units for sale, which we anticipate to be no earlier than the first quarter of 2000. Accordingly, absent significant increases in sales, particularly with respect to microprocessors, we will continue to experience pressure on our gross margin percentage. Gross margin percentage of 23 percent in the second quarter of 1999 decreased from 26 percent in the same quarter of 1998. This decrease was primarily due to higher fixed costs as a result of continued investment in Fab 25. Gross margin percentage of 26 percent in the first half of 1999 increased from 24 percent in the first half of 1998, due to higher net sales of microprocessors.

18

Research and development expenses of \$167 million in the second quarter of 1999 increased four percent compared to the first quarter of 1999. Increased costs related to the facilitization of Dresden Fab 30 and research and development activities for the AMD Athlon microprocessor were partially offset by decreases in expenses as a result of spending controls. Research and development expenses in the second quarter of 1999 increased 20 percent compared to the second quarter of 1998 primarily due to increased costs for the facilitization of Dresden Fab 30 and the 1998 alliance with Motorola for the development of Flash memory and logic process technologies, which were partially offset by the recognition of deferred credits in 1999 on foreign capital grants and interest subsidies related to the costs of Dresden Fab 30. These credits of approximately \$13 million per quarter will continue to be offset against Dresden Fab 30 expenses in future quarters until June 2007. Beginning no earlier than the first quarter of 2000, we expect Dresden Fab 30 to begin producing units for sale. At that time, a significant portion of Dresden Fab 30 expenses, including the deferred credits referred to above, will shift from research and development expense to cost of sales. Research and development expenses of \$327 million in the first half of 1999 increased 22 percent compared to the first half of 1998 due to increased costs for the facilitization of Dresden Fab 30, the 1998 alliance with Motorola for the development of Flash memory and logic process technologies and research and development activities for the AMD Athlon microprocessor, which were partially offset by the recognition of deferred credits in 1999 as discussed above as well as decreases in expenses resulting from spending controls.

Marketing, general and administrative expenses of \$125 million in the second quarter of 1999 decreased two percent compared to the first quarter of 1999. This was due to nonrecurring software charges incurred in the first quarter as well as slightly lower spending on Year 2000 upgrade. These increases were partially offset by costs incurred late in the quarter for introduction of the AMD Athlon microprocessor. Marketing, general and administrative expenses in the second quarter of 1999 increased 24 percent compared to the second quarter of 1998 primarily due to significantly higher marketing and promotional activities, along with increased depreciation expense and costs associated with the installation of new order management and accounts receivable systems. Marketing, general and administrative expenses of \$252 million in the first half of 1999 increased 33 percent compared to the first half of 1998 primarily due to significantly higher marketing and promotional activities and increased amortization expense and costs associated with the installation of new order management and accounts receivable systems.

In the first quarter of the current fiscal year we initiated a review of our cost structure. Based upon this review, we recorded restructuring and other special charges of \$18 million in the second quarter and \$15 million in the first quarter of 1999 as a result of certain of our actions to better align our cost structure with expected revenue growth rates. Although we have achieved the expected cost savings as a result of this realignment, we have not achieved the expected revenue growth rates. As a result, we will continue to evaluate our cost structure and expect to incur additional restructuring and other special charges during the third quarter, and possibly the fourth quarter, of the current fiscal year.

The restructuring activities and other special charges primarily relate to: 1) the closure of a submicron development laboratory facility; 2) write-offs of certain equipment, including estimated disposal costs, in the Submicron Development Center (SDC); 3) write-offs of equipment utilized in the discontinued 0.35-micron wafer fabrication process; 4) the elimination of job responsibilities for 50 employees in the first quarter and 128 employees in the second quarter in the SDC, sales offices and Information Technology department; 5) the write-off of

19

discontinued system projects; and 6) costs for vacated and unused sales office leases. During the second quarter of 1999, we discharged our accrual balance of \$779 thousand which was incurred in the first quarter of 1999 relating to the severance costs for the termination of 50 employees. We expect to discharge our second quarter accrual balances as follows: 1) the \$3.5 million accrual for SDC equipment disposal costs is expected to be discharged by the first quarter of 2000; 2) the \$1.7 million accrual for severance costs will be discharged during the third quarter of the current fiscal year; and 3) the \$968 thousand accrual for costs related to vacated and unused sales office leases will be discharged

through the second quarter of 2002.

On June 15, 1999, we completed the sale of our Vantis segment to Lattice Semiconductor Corporation for approximately \$500 million in cash. The actual cash received was net of Vantis' cash and cash equivalent balance of approximately \$46 million at the closing. Our pre-tax gain on the sale of Vantis was \$432 million, subject to adjustment, if any, based on the final determination of the net asset value of Vantis at June 15, 1999. The gain is computed based on Vantis' net assets as of June 15, 1999 and other direct expenses related to the sale. The applicable tax rate on the gain was 40 percent.

A litigation settlement of approximately \$12 million was recorded during the six months ended June 28, 1998 for the settlement of a class action securities lawsuit against AMD and certain current and former officers and directors. We paid the settlement during the third quarter of 1998.

Interest income and other, net of \$7 million in the second quarter of 1999 decreased \$4 million compared to the first quarter of 1999. This decrease was due primarily to a nonrecurring gain realized in the first quarter of 1999 related to the sale of an investment. Interest income and other, net decreased \$1 million compared to the second quarter of 1998. This decrease was mainly due to lower average cash balances. Interest income and other, net of \$18 million in the first half of 1999 increased \$4 million compared to the first half of 1998. This increase was primarily due to the gain on the sale of an investment.

Interest expense of \$18 million in the second quarter of 1999 decreased \$3 million compared to the first quarter of 1999. This decrease was primarily due to a higher amount of interest that was capitalized rather than expensed. Interest expense remained flat compared to the same quarter in the previous year. Interest expense of \$39 million in the first half of 1999 increased \$9 million compared to the first half of 1998. This increase was a result of higher average debt balances, including the \$517.5 million of Convertible Subordinated Notes sold in May 1998 (the Convertible Subordinated Notes), partially offset by higher capitalized interest.

Income Tax

We recorded an income tax provision of \$172.8 million in the second quarter of 1999 and a tax benefit of \$44.1 million in the second quarter of 1998. Excluding the gain on the sale of Vantis and restructuring and other special charges, the effective tax rate for the quarter and six months ended June 27, 1999 is zero percent, and effective tax benefit rate for the quarter and six months

20

ended June 28, 1998 is 39 percent. The tax provision recorded in the second quarter of 1999 is attributable to the gain on the sale of the Vantis subsidiary. No tax benefits were recorded for the operating losses in the quarter and six months ended June 27, 1999 because the deferred tax assets arising from such losses are offset by a valuation allowance. The effective tax rate is expected to be zero for the remainder of 1999.

We had net deferred tax liabilities of \$10.3 million as of June 27, 1999 representing certain foreign deferred taxes.

Other Items

International sales as a percent of net sales were 58 percent in both the second quarter of 1999 and the first quarter of 1999, and 48 percent in the second quarter of 1998. International sales were 58 percent of net sales in the first half of 1999 and 52 percent of net sales in the first half of 1998. During the first half of 1999, approximately nine percent of our net sales were denominated in foreign currencies. We do not have sales denominated in local currencies in those countries which have highly inflationary economies (as defined by generally accepted accounting principles). The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been material.

Comparison of Segment Income (Loss)

For a comparison of segment net sales, refer to the previous discussions on net sales by product group.

On June 15, 1999, we completed the sale of our Vantis segment to Lattice Semiconductor Corporation for approximately \$500 million in cash. The actual cash received of approximately \$454 million was net of Vantis' cash and cash equivalent balance of approximately \$46 million as of the closing.

The following is a summary of operating income (loss) by segment for the periods presented below:

<TABLE>
<CAPTION>

(Millions)	Quarter Ended			Six Months Ended	
	June 27, 1999	March 28, 1999	June 28, 1998	June 27, 1999	June 28, 1998
<S>	<C>	<C>	<C>	<C>	<C>
AMD segment	\$ (172)	\$ (127)	\$ (107)	\$ (299)	\$ (217)
Vantis segment	(1)	6	3	5	14
	-----	-----	-----	-----	-----
Total	\$ (173)	\$ (121)	\$ (104)	\$ (294)	\$ (203)
	=====	=====	=====	=====	=====

</TABLE>

The AMD segment incurred a larger operating loss in the second quarter of 1999 compared to the first quarter of 1999 due to a decrease in net sales of the AMD segment, primarily as a result of aggressive Intel marketing, pricing and product bundling. While net sales decreased, cost of sales remained high, and research and development costs and restructuring and other special charges increased. The AMD segment's operating loss increased in the second quarter of 1999 compared to the same quarter in 1998, and in the first half of 1999 compared to the first half of 1998, despite higher net sales. These operating loss increases were caused by higher costs associated

21

with the facilitation of Fab 25 and Dresden Fab 30, the alliance with Motorola, research and development on the AMD Athlon microprocessor, restructuring and other special charges and depreciation on the new order management and accounts receivable systems.

Net sales for the Vantis segment decreased for all periods presented due to the sale of the Vantis segment on June 15, 1999, which created a fewer number of weeks included in the quarter and six months ended June 27, 1999. The Vantis segment incurred an operating loss in the second quarter of 1999 compared to operating income in the first quarter of 1999 due to lower net sales in the Vantis segment, higher research and development expenses and higher marketing, general and administrative expenses. Research and development expenses were higher as a result of increased work on Field Programmable Gate Array (FPGA) products. Marketing, general and administrative expenses increased due to various employee bonus plans. The Vantis segment's operating income decreased in the second quarter of 1999 compared to the same quarter in 1998. This was due to lower net sales and higher marketing, general and administrative expenses resulting from employee incentive plans and the implementation of new order management and accounts receivable systems. The Vantis segment's operating income decreased in the first half of 1999 compared to the first half of 1998 due to lower net sales along with higher marketing, general and administrative expenses. These expenses resulted from various employee incentive plans and additional sales and marketing employees.

FINANCIAL CONDITION

Cash and cash equivalents in the first half of 1999 decreased by \$141 million compared to a decrease of \$80 million in the first half of 1998. Year to date capital expenditures in 1999 have been offset by cash received on the sale of Vantis in the second quarter of 1999. A portion of these cash proceeds were used to pay down our debt holdings by \$150 million in the current year. By comparison, capital expenditures in the first half of 1998 were financed primarily through proceeds from borrowings and foreign grants.

Operating activities consumed \$18 million in the first half of 1999 compared to positive operating cash flows of \$72 million in the first half of 1998. The cash used in current year operations is primarily due to our cumulative net loss of \$48 million which was partially offset by a decrease in net operating assets of \$42 million. Depreciation expense, non-cash restructuring charges and other non-cash adjustments of \$446 million that would normally be added back to net loss were offset by the gain on the sale of Vantis of \$432 million and deferred foreign grant and subsidy income of \$25 million.

Net investing activities generated \$4 million during the first half of 1999. Proceeds from the sale of Vantis of \$454 million more than offset current year capital expenditures of \$347 million. This increase in cash was offset by the investment of nearly \$105 million in cash in short-term securities during the first half of this year. Investing activities used \$788 million in the first half of 1998, primarily due to \$490 million of capital expenditures and \$304 million of cash invested in short-term securities.

22

Financing activities consumed \$116 million during the first half of 1999, primarily as a result of debt payments of \$150 million which were partially offset by proceeds from borrowings and stock issuances. Financing activities in the first half of 1998 generated \$638 million mostly from the issuance of debt

and the receipt of foreign grants.

Our 1996 syndicated bank loan agreement (the Credit Agreement) provided for a \$150 million three-year secured revolving line of credit and a \$250 million four-year secured term loan. On June 25, 1999, we terminated the secured revolving line of credit. Approximately \$86 million of the four-year secured term loan was outstanding as of June 27, 1999. As of June 27, 1999, we were in compliance with all covenants under the Credit Agreement. In July 1999, we repaid the outstanding balance on the secured term loan, terminated the Credit Agreement and refinanced the Credit Agreement with a new Loan and Security Agreement (the Loan Agreement) with a consortium of banks led by Bank of America. Under the Loan Agreement, which provides for a four-year secured revolving line of credit of up to \$200 million, we can borrow up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of our eligible accounts receivable from distributors, subject to reserves which may be set aside by the lenders. AMD will be subject to compliance with certain financial covenants if the levels of domestic cash it holds declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds.

As of June 27, 1999, we had available unsecured uncommitted bank lines of credit in the amount of \$68 million, of which \$6 million was outstanding.

We plan to continue to make significant capital investments throughout the remainder of 1999. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

AMD Saxony Manufacturing GmbH (AMD Saxony), an indirect wholly owned German subsidiary of AMD, has constructed and is installing equipment in Dresden Fab 30, a 900,000-square-foot submicron integrated circuit manufacturing and design facility located in Dresden, in the State of Saxony, Germany. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 to be \$1.8 billion. In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

- . equity, subordinated loans and loan guarantees from AMD;
- . loans from a consortium of banks; and
- . grants, subsidies and loan guarantees from the Federal Republic of Germany and the State of Saxony.

The Dresden Loan Agreements, which were amended in February 1998 to reflect planned upgrades in wafer production technology as well as the decline in the deutsche mark relative to the U.S. dollar, require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested \$286 million to date (most of which is

23

denominated in deutsche marks) in the form of subordinated loans and equity in AMD Saxony. We amended the Dresden Loan Agreements in June 1999 to remove a requirement that we sell at least \$200 million of our stock by June 30, 1999 in order to fund a \$70 million loan to AMD Saxony. In lieu of the stock offering, we funded the \$70 million loan to AMD Saxony with proceeds from the sale of Vantis. We are required to make additional subordinated loans to, or equity investments in, AMD Saxony of \$100 million before December 31, 1999.

Additionally, the consortium of banks referred to above has made available \$871 million in loans (denominated in deutsche marks) to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had \$264 million of such loans outstanding as of June 27, 1999.

Finally, the Federal Republic of Germany and the State of Saxony are supporting the Dresden Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- . guarantees of 65 percent of AMD Saxony bank debt up to a maximum amount of \$871 million;
- . capital investment grants and allowances totaling \$287 million; and
- . interest subsidies totaling \$159 million.

Of these amounts (which are all denominated in deutsche marks), AMD Saxony had received \$275 million in capital investment grants and \$15 million in interest subsidies as of June 27, 1999. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received as well as the repayment of all or a portion of amounts received to date. As of June 27, 1999, we were in compliance

with all of the conditions of the grants and subsidies.

The Dresden Loan Agreements also require that we:

- . provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;
- . fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates;
- . guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreements up to a maximum of \$115 million (denominated in deutsche marks) until Dresden Fab 30 has been completed;
- . fund certain contingent obligations including obligations to fund project cost overruns, if any; and
- . make funds available to AMD Saxony, after completion of Dresden Fab 30, up to approximately \$77 million (denominated in deutsche marks) if AMD Saxony does not meet its fixed charge coverage ratio covenant.

Because our obligations under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth above are subject to change based on applicable conversion rates. We used the exchange rate at the end of the second quarter of 1999, which was

24

approximately 1.89 deutsche marks to 1 U.S. dollar, to value our obligations denominated in deutsche marks.

The definition of defaults under the Dresden Loan Agreements includes the failure of AMD, AMD Saxony or AMD Saxony Holding GmbH (AMD Holding), the parent company of AMD Saxony and a wholly owned subsidiary of AMD, to comply with obligations in connection with the Dresden Loan Agreements, including:

- . material variances from the approved schedule and budget;
- . our failure to fund equity contributions or shareholder loans or otherwise comply with our obligations relating to the Dresden Loan Agreements;
- . the sale of shares in AMD Saxony or AMD Holding;
- . the failure to pay material obligations;
- . the occurrence of a material adverse change or filings or proceedings in bankruptcy or insolvency with respect to us, AMD Saxony or AMD Holding; and
- . the occurrence of default under the indenture dated August 1, 1996 between AMD and the United States Trust Company of New York (the Indenture) pursuant to which our \$400 million aggregate principal amount of 11% Senior Secured Notes due 2003 (the Senior Secured Notes) were issued or the Loan Agreement.

Generally, any such default which either (1) results from our non-compliance with AMD obligations under the Dresden Loan Agreements and is not cured by AMD or (2) results in recourse to AMD of more than \$2.5 million and is not cured by AMD, would result in a cross-default under the Dresden Loan Agreements, the Indenture and the Loan Agreement. Under certain circumstances, cross-defaults result under the Convertible Subordinated Notes, the Indenture, and the Dresden Loan Agreements.

In the event we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD Saxony will be unable to complete Dresden Fab 30 and we will be in default under the Dresden Loan Agreements, the Indenture and the Loan Agreement, which would permit acceleration of certain indebtedness, which would have a material adverse effect on our business. There can be no assurance that we will be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on our business.

FASL, a joint venture formed by AMD and Fujitsu Limited in 1993, is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL II, in Aizu-Wakamatsu, Japan. We expect the facility, including equipment, to cost approximately \$1 billion when fully equipped. As of June 27, 1999, approximately \$394 million of this cost had been funded. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and local borrowings by FASL. We currently anticipate that during 1999, FASL capital expenditures will continue to be funded by cash generated from FASL operations and local borrowings by FASL. However, to the extent that FASL is unable to secure the necessary funds for FASL II, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of June 27, 1999, we had loan guarantees of \$47 million outstanding with respect to these loans. The planned FASL II costs are

25

denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations.

We believe that cash flows from operations and current cash balances, together with external financing activities, will be sufficient to fund operations and capital investments through the next twelve months.

RISK FACTORS

Our business, results of operations and financial condition are subject to a number of risk factors, including the following:

Microprocessor Products

Future Dependence on AMD Athlon Microprocessor. We will need to successfully market our seventh-generation microprocessor, the AMD Athlon microprocessor, in order to increase our microprocessor product revenues in 1999 and beyond, and to benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors. We commenced initial shipments of the AMD Athlon microprocessor in June 1999. Our production and sales plans for the AMD Athlon microprocessor are subject to numerous risks and uncertainties, including:

- . our ability to produce the AMD Athlon microprocessor in the volume required by customers on a timely basis;
- . the availability and acceptance of motherboards and chipsets designed for the AMD Athlon microprocessor;
- . market acceptance of the AMD Athlon microprocessor;
- . our ability to maintain average selling prices of the AMD Athlon microprocessor despite Intel marketing, pricing and bundling activities or deterioration of market conditions or customer relationships which affect market demand;
- . the successful development and installation of 0.18-micron process technology and copper interconnect technology;
- . the pace at which we are able to transition production in Fab 25 from 0.25 to 0.18-micron process technology and to ramp production in Dresden Fab 30 on 0.18-micron copper interconnect process technology;
- . the use and market acceptance of a non-Intel processor bus (adapted by us from Digital Equipment Corporation's EV6 pin bus) in the design of the AMD Athlon microprocessor, and the availability of chipset vendors who will develop, manufacture and sell chipsets with the EV6 interface in volumes required by us;
- . our ability to expand our chipset and system design capabilities;
- . the availability to our customers of cost and performance competitive Static Random Access Memories (SRAMs) (including Tag chips) if Intel corners the market for SRAM production capacity through its relationship with SRAM manufacturers; and
- . our ability to design and manufacture processor modules through subcontractors.

If we fail to achieve market acceptance of the AMD Athlon microprocessor, our business will be materially and adversely affected.

26

Investment in and Dependence on K86(TM) AMD Microprocessor Products. Our microprocessor product revenues have significantly impacted, and will continue in 1999 and 2000 to significantly impact, our revenues, profit margins and operating results. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. These capital expenditures will be a substantial drain on our cash flow and cash balances.

Our ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon the success of the AMD Athlon microprocessor, which is our seventh-generation Microsoft Windows compatible microprocessor, the AMD-K6-2 and AMD-K6-III microprocessors with 3DNow!(TM) technology (the AMD-K6 family of microprocessors or the AMD-K6 microprocessors), and the future generations of K86 microprocessors. The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new process technologies at a faster pace than before and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds. In the past, we have experienced significant difficulty in achieving microprocessor yield and volume plans. Such difficulties have in the past, and may in the future, adversely affect our results of operations and liquidity. If we fail to offer higher performance microprocessors in significant volume on a timely basis in the future, our business could be materially and adversely affected. We may not achieve the production ramp necessary to meet our customers' volume requirements for higher performance AMD Athlon and AMD-K6 microprocessors. It is also possible that we may not increase our microprocessor revenues enough to achieve sustained profitability.

To sell the volume of AMD Athlon and AMD-K6 microprocessors we currently plan to make in 1999 and 2000, we must increase sales to existing customers and develop new customers. If we lose any current top tier OEM customer, or if we fail to

attract additional customers through direct sales and through our distributors, we may not be able to sell the volume of units planned. This result could have a material adverse effect on our business.

Our production and sales plans for the AMD Athlon and AMD-K6 microprocessors are subject to other risks and uncertainties, including:

- . market acceptance of the AMD Athlon microprocessor, including the timely availability of motherboards and chipsets designed for this processor;
- . whether we can successfully fabricate higher performance AMD Athlon and AMD-K6 microprocessors in planned volume mixes;
- . the effects of Intel's new product introductions, marketing strategies and pricing;
- . the continued development of worldwide market acceptance for the AMD-K6 microprocessors and systems based on them;
- . whether we will have the financial and other resources necessary to continue to invest in the microprocessor products, including leading-edge wafer fabrication equipment and advanced process technologies;
- . the possibility that our newly introduced products may be defective;
- . adverse market conditions in the personal computer (PC) market and consequent diminished demand for our microprocessors; and

27

- . unexpected interruptions in our manufacturing operations.

Because Intel dominates the industry and has brand strength, we have in the past priced the AMD-K6 microprocessors below the published price of Intel processors offering comparable performance. Thus, Intel's decisions on processor prices can impact and have impacted the average selling prices of the AMD-K6 microprocessors, and consequently can impact and have impacted our margins. Our business could be materially and adversely affected if we fail to:

- . achieve the product performance improvements necessary to meet customer needs;
- . continue to achieve market acceptance of our AMD-K6 microprocessors and increase market share;
- . substantially increase revenues of the AMD-K6 family of microprocessors; and
- . successfully ramp production and sales of the AMD Athlon microprocessor.

See also discussions below regarding Intel Dominance and Process Technology.

Intel Dominance. Intel has dominated the market for microprocessors used in PCs for a long time. Because of its dominant market position, Intel sets and controls x86 microprocessor and PC system standards and, thus, dictates the type of product the market requires of Intel's competitors. In addition, Intel can vary prices on its microprocessors and other products at will and thereby affect the margins and profitability of its competitors due to its financial strength and dominant position. Intel exerts substantial influence over PC manufacturers and their channels of distribution through the Intel Inside advertising rebate program and other marketing programs. Intel invests hundreds of millions of dollars in, and as a result exerts influence over, many other technology companies. We expect Intel to continue to invest heavily in research and development, new manufacturing facilities and other technology companies, and to remain dominant:

- . through the Intel Inside and other marketing programs;
- . through other contractual constraints on customers, retailers, industry suppliers and other third parties;
- . by controlling industry standards; and
- . by controlling supply and demand of motherboards, chipsets and other system components.

As an extension of its dominant microprocessor market share, Intel also now dominates the PC platform. As a result, it is difficult for PC manufacturers to innovate and differentiate their product offerings. We do not have the financial resources to compete with Intel on such a large scale. As long as Intel remains in this dominant position, we may be materially and adversely affected by its:

- . product mix and introduction schedules;
- . product bundling and pricing strategies;
- . control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and BIOS suppliers; and
- . customer brand loyalty.

As Intel has expanded its dominance over the PC system platform, many PC manufacturers have reduced their system development expenditures and have purchased microprocessors in conjunction with chipsets or in assembled motherboards. PC OEMs have become increasingly dependent on Intel, less innovative on their own and more of a distribution channel for Intel

28

technology. In marketing our microprocessors to these OEMs and dealers, we

depend on companies other than Intel for the design and manufacture of core-logic chipsets, motherboards, basic input/output system (BIOS) software and other components. In recent years, these third-party designers and manufacturers have lost significant market share to Intel. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes, and will continue to make, it increasingly difficult for these third parties to retain or regain market share.

To compete with Intel in the microprocessor market in the future, we intend to continue to form closer relationships with third-party designers and manufacturers of core-logic chipsets, motherboards, BIOS software and other components. Similarly, we intend to expand our chipset and system design capabilities, and to offer OEMs licensed system designs incorporating our microprocessors and companion products. We cannot be certain, however, that our efforts will be successful. We expect that, as Intel introduces future generations of microprocessors, chipsets and motherboards, the design of chipsets, memory and other semiconductor devices, and higher level board products which support Intel microprocessors, will become increasingly dependent on the Intel microprocessor design and may become incompatible with non-Intel processor-based PC systems.

Intel's Pentium(R) II, III and Celeron(TM) microprocessors are sold only in form factors that are not physically or interface protocol compatible with "Socket 7" motherboards currently used with AMD-K6 microprocessors. Thus, Intel no longer supports the Socket 7 infrastructure as it has transitioned away from its Pentium processors. Because the AMD-K6 microprocessors are designed to be Socket 7 compatible, and will not work with motherboards designed for Pentium II, III and Celeron processors, we intend to continue to work with third-party designers and manufacturers of motherboards, chipsets and other products to ensure the continued availability of Socket 7 infrastructure support for the AMD-K6 microprocessors, including support for enhancements and features we add to our microprocessors. Socket 7 infrastructure support for the AMD-K6 microprocessors may not endure over time as Intel moves the market to its infrastructure choices. We do not currently plan to develop microprocessors that are bus interface protocol compatible with the Pentium II, Pentium III and Celeron processors because our patent cross-license agreement with Intel does not extend to microprocessors that are bus interface protocol compatible with Intel's sixth and subsequent generation processors. Thus, the AMD Athlon microprocessor card is not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for AMD Athlon seventh-generation and future generation microprocessors will depend on our:

- . success in designing and developing the microprocessors; and
- . ability to ensure that the microprocessors can be used in PC platforms designed to support Intel's microprocessors and our microprocessors, or that alternative platforms are available which are competitive with those used with Intel processors.

A failure for any reason of the designers and producers of motherboards, chipsets and other system components to support our K86 microprocessor offerings would have a material adverse effect on our business.

29

Dependence on Microsoft and Logo License. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for the x86 instructions that we innovate and design into our processors, independent software providers may forego designing their software applications to take advantage of our innovations. This would adversely affect our ability to market our processors. In addition, we have entered into logo license agreements with Microsoft that allow us to label our products as "Designed for Microsoft Windows." We have also obtained appropriate certifications from recognized testing organizations for our K86 microprocessors. If we fail to maintain the logo license agreements with Microsoft, we may lose our ability to label our K86 microprocessors with the Microsoft Windows logo. This could impair our ability to market the products and could have a material adverse effect on our business.

Fluctuations in PC Market. Since most of our microprocessor products are used in PCs and related peripherals, our future growth is closely tied to the performance of the PC industry. Industry-wide fluctuations in the PC marketplace have in the past and may in the future materially and adversely affect our business.

Financing Requirements

We plan to continue to make significant capital investments in 1999. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

In 1998, equipment was installed and production was initiated in FASL II. We expect the facility, including equipment, to cost approximately \$1 billion when fully equipped. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and borrowings by FASL. If FASL is unable to secure the necessary funds for FASL II, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL.

In 1996, we entered into the Credit Agreement, which provided for a \$150 million three-year secured revolving line of credit and a \$250 million four-year secured term loan. Approximately \$86 million of the secured term loan was outstanding as of June 27, 1999. On June 25, 1999, we terminated the secured revolving line of credit. In July 1999, we repaid the outstanding balance on the secured term loan, terminated the Credit Agreement and replaced the Credit Agreement with the Loan Agreement. Under the Loan Agreement, which provides for a four-year secured revolving line of credit of up to \$200 million, we can borrow up to 85 percent of our eligible accounts receivable from OEMs and 50 percent of our eligible accounts receivable from distributors, subject to reserves which may be set aside by the lenders. AMD will be subject to compliance with certain financial covenants if the levels of domestic cash it holds declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds.

In March 1997, our indirect wholly owned subsidiary, AMD Saxony, entered the Dresden Loan Agreements with a consortium of banks led by Dresdner Bank AG. The terms of the Dresden Loan Agreements required us to make subordinated loans to AMD Saxony totaling \$100 million in 1998. The Dresden Loan Agreements, which were amended in February 1998 to reflect planned upgrades in wafer production technology as well as the decline in the deutsche mark

30

relative to the U.S. dollar, require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested \$286 million to date in the form of subordinated loans and equity in AMD Saxony. We amended the Dresden Loan Agreements in June 1999 to remove a requirement that we sell at least \$200 million of our stock by June 30, 1999 in order to fund a \$70 million loan to AMD Saxony. In lieu of the stock offering, we funded the \$70 million loan to AMD Saxony with proceeds from the sale of Vantis. We are required to make additional subordinated loans to, or equity investments in, AMD Saxony of \$100 million before December 31, 1999.

Because our obligations under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth herein are subject to change based on applicable conversion rates. As of the end of the second quarter of 1999, the exchange rate was approximately 1.89 deutsche marks to 1 U.S. dollar (which we used to calculate our obligations denominated in deutsche marks).

If we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD Saxony will be unable to complete Dresden Fab 30 and we will be in default under the Dresden Loan Agreement, the Loan Agreement and the Indenture, which would permit acceleration of indebtedness, which would have a material adverse effect on our business. If we are unable to obtain the funds necessary to fulfill these obligations, our business will be materially and adversely affected.

Manufacturing

Capacity. We underutilize our manufacturing facilities from time to time as a result of reduced demand for certain of our products. Our operations related to microprocessors have been particularly affected by this situation. If we underutilize our manufacturing facilities in the future, our revenues may suffer. We are substantially increasing our manufacturing capacity by making significant capital investments in Fab 25 and Dresden Fab 30. In addition, the building construction of FASL II, a second Flash memory device manufacturing facility, is complete and equipment installation is in progress. We have also built a new test and assembly facility in Suzhou, China. We are basing our strategy of increasing our manufacturing capacity on industry projections for future growth. If these industry projections are inaccurate and demand for our products does not increase, we will likely underutilize our manufacturing facilities and our business could be materially and adversely affected.

In contrast to the above, there also have been situations in the past in which our manufacturing facilities were inadequate to meet the demand for certain of our products. Our inability to generate sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on our business. At this time, the risk is that we will have insufficient capacity to meet demand for Flash memory products and significant capacity relative to demand for our microprocessor offerings.

Process Technology. In order to remain competitive, we must make continuing substantial investments in improving our process technologies. In particular, we

have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these

31

investments might not be fully recovered if we fail to continue to gain market acceptance or if the market for our Flash memory products should significantly deteriorate. Likewise, we are making a substantial investment in Dresden Fab 30. The business plan for Dresden Fab 30 calls for the successful development and installation of 0.18-micron process technology and copper interconnect technology in order to manufacture the AMD Athlon microprocessor in Dresden Fab 30. We have entered into a strategic alliance with Motorola to co-develop the copper interconnect technology required for the AMD Athlon microprocessor and subsequent generations of microprocessors. We cannot be certain that the strategic alliance will be successful or that we will be able to develop or obtain the leading-edge process technologies that will be required in Fab 25 or Dresden Fab 30 to fabricate the AMD Athlon microprocessor successfully.

Manufacturing Interruptions and Yields. Any substantial interruption of our manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could materially and adversely affect our business operations. We also have been and may in the future be materially and adversely affected by fluctuations in manufacturing yields. For example, our results in the past have been negatively affected by disappointing AMD-K6 microprocessor yields. The design and manufacture of ICs is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include equipment performance and process controls as well as other risks, all of which can affect yields.

Product Incompatibility. Our products may possibly be incompatible with some or all industry-standard software and hardware. If our customers are unable to achieve compatibility with software or hardware after our products is shipped in volume, we could be materially adversely affected. It is also possible that we may be unsuccessful in correcting any such compatibility problems that are discovered or that corrections will be unacceptable to customers or made in an untimely manner. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

Product Defects. One or more of our products may possibly be found to be defective after we have already shipped such products in volume, requiring a product replacement, recall, or a software fix which would cure such defect but impede performance. We may also be subject to product returns which could impose substantial costs on us and have a material and adverse effect our business.

Essential Manufacturing Materials. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. For example, a few foreign companies principally supply several types of the IC packages purchased by us, as well as by the majority of other companies in the semiconductor industry. Interruption of supply or increased demand in the industry could cause shortages in various essential materials. We would have to reduce our manufacturing operations if we were unable to procure certain of these materials. This reduction in our manufacturing operations could have a material adverse effect on our business.

International Manufacturing and Foundries. Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; and Singapore; or by subcontractors in Asia. We have also constructed an additional assembly

32

and test facility in Suzhou, China. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers. Foreign manufacturing and construction of foreign facilities entail political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if we were unable to assemble and test our products abroad, or if air transportation between the United States and our overseas facilities were disrupted, there could be a material adverse effect on our business.

Impact of Year 2000

General. The Year 2000 issue is the result of computer software and firmware being written using two digits rather than four to define the applicable year. If our computer software and firmware with date-sensitive functions are not Year 2000 capable, they may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, interruptions in manufacturing operations or in the ability to process transactions, send invoices or engage in other normal business activities.

Our multi-step Year 2000 readiness plan includes development of corporate awareness, assessment of internal systems, project planning, project implementation (including remediation, upgrading and replacement), validation testing and contingency planning for both information technology (IT) and non-IT internal systems.

The Plan. Our plan covers four areas that are critical to our business operations:

- . Information Technology, which includes application software, infrastructure and network engineering and telecommunications;
- . Manufacturing, which includes wafer fabrication facilities, assembly and test facilities and third-party foundries;
- . Products and product design, which includes our commercial products and the hardware and software tools used specifically for product design; and
- . Organizational support, which includes non-fabrication facilities, security, corporate supply management, shipping, quality and environmental health and safety (EHS) departments.

. Information Technology. We have modified or replaced significant portions of our application software so that our systems will function properly with respect to dates in the year 2000 and thereafter. Application software consists of business software required for our corporate business systems, including our accounts payable and receivable, payroll, order management, general ledger and shipping applications. In December 1998, we installed new Year 2000 capable order management and accounts receivable systems. As of June 27, 1999, we completed remediation of all core business software that did not require an upgrade or a replacement. A few other core business related software programs still require upgrades. We plan to continue to test our application software through the end of the third quarter of 1999. Our goal is to complete testing and put all application systems into production by September 30, 1999. If required modifications to existing software are not made, or are not completed in a timely manner, the Year 2000 issue could have a material impact on our business.

33

IT infrastructure consists of hardware and software other than application software that supports our mainframe and distributed computer systems, including PCs, operating systems and system utilities. We have tested Year 2000 capable versions of all our infrastructure software and are in the process of transitioning such software into productive use. Approximately 99 percent of our Year 2000 capable infrastructure hardware and software was installed and in production as of June 27, 1999. Our goal is for the remaining one percent to be completed by September 30, 1999. If we are unable to successfully transition our infrastructure software or to install and put our infrastructure hardware and software into production as anticipated, our business could be materially and adversely affected.

Network engineering and telecommunications consists of components in our data and voice communication networks. All of the data components and the voice components in our communication networks were Year 2000 capable as of June 27, 1999. However, we do not currently have all of the information necessary to determine if certain of our international network service providers will be Year 2000 capable in a timely manner. If they are not Year 2000 capable, our business could be materially and adversely affected.

. Manufacturing. We are dedicating substantial resources to Year 2000 issues with respect to our wafer fabrication facilities worldwide to ensure continued operation of all critical wafer fabrication systems in the year 2000 and thereafter. We have retained an outside firm to provide Year 2000 program management and implementation assistance in connection with problem assessment, remediation and compliance testing. Approximately 90 percent of the critical wafer fabrication equipment was made Year 2000 capable as of June 27, 1999. It is our goal that 99 percent of the wafer fabrication equipment will be Year 2000 capable by September 30, 1999 and the remaining one percent of the equipment will be Year 2000 capable by year-end 1999. Fabrication equipment software testing and installation is ongoing and will continue through the fourth quarter of 1999. Some vendors have indicated that Year 2000 capable upgrades will not be available until late 1999. If these vendors do not provide Year 2000 capable upgrades in time for us to install the products and to do adequate testing, or if the products do not adequately address the Year 2000 problem, our business could be materially and adversely affected.

Our assembly and test facilities are located in Malaysia, Thailand, China and Singapore. The remediation and replacement process for noncompliant systems and equipment in these facilities was 99 percent complete as of June 27, 1999. Our goal is to complete this remediation by September 30, 1999.

We believe that all critical Year 2000-related manufacturing areas, including our wafer fabrication facilities and assembly and test facilities, will be Year 2000 capable by year-end 1999. We have begun contingency planning for critical areas of our wafer manufacturing facilities and will continue developing and

refining these plans throughout 1999.

However, we cannot give any assurance that we will be successful in our efforts to resolve any Year 2000 issues and to continue operations in our wafer fabrication facilities in the year 2000. Our failure to successfully resolve such issues could result in a shutdown of some or all of our operations, which would have a material adverse effect on our business.

34

. Products and Product Design. We have reviewed the status of our current products and have not identified any critical products with Year 2000 problems. We believe that the critical hardware and software we use for product design will be Year 2000 capable as of September 30, 1999. Testing of these systems is ongoing and will continue through the end of the year. If we fail to make the hardware and software we use for product design Year 2000 capable by year-end 1999, our business could be materially and adversely affected.

. Organizational Support. Since organizational support consists of several functional divisions that provide administrative support to us as a whole, and this support overlaps in many areas, we are unable to quantify the overall progress of this group. However, some divisions have commenced significant projects aimed at Year 2000 readiness. For example, the facilities department is in the process of upgrading the building management system at our corporate marketing, general and administrative facility located in Sunnyvale, California. As of June 27, 1999, we had installed all software upgrades required by facilities for Year 2000 readiness. EHS provides another example. Upgrades are being scheduled and performed on gas detection systems, acid neutralization systems and groundwater cleanup controls. EHS' critical Year 2000 readiness activities were complete as of June 27, 1999. Similarly, our security department has completed our plan to ensure Year 2000 compliance of the fire, intrusion and industrial process alarms in our China, Thailand and Germany sites. Our goal is to have our domestic alarm systems upgraded and tested for Year 2000 compliance by September 30, 1999, and to have all remaining alarm system upgrades and testing complete by October 31, 1999. In addition to upgrades, these organizational support divisions have replaced and will continue to replace equipment and systems to the extent it is required for our Year 2000 readiness. However, if we are unable to make our organizational support systems Year 2000 capable before year-end 1999, our business could be materially and adversely affected.

Third-Party Suppliers and Customers. We have initiated communication with our significant suppliers and customers to determine the extent to which our operations are vulnerable to those third parties' failure to remediate their own Year 2000 issues. Suppliers of hardware, software or products that might contain embedded processors were asked to provide information regarding the Year 2000 compliance status of their products. We have also contacted critical materials and services suppliers in the first and second quarters of 1999. We will continue to seek information from non-responsive suppliers in the third quarter of 1999. In addition, in order to protect against the acquisition of additional non-compliant products, we now require suppliers to warrant that products sold or licensed to us are Year 2000 capable. We are currently assessing our significant customers' Year 2000 readiness plans. In the event that any of our significant customers and suppliers do not successfully and timely achieve Year 2000 compliance, our business or operations could be adversely affected. We cannot give any assurance that the systems of other companies on which our systems rely will be converted in a timely manner and will not have an adverse effect on our operations. We are currently assessing the extent to which our significant customers' exposure to contingencies related to the Year 2000 will affect the products we sell; however, we do not expect these to have a material impact on our operations.

Overall our goal is to resolve our remaining critical Year 2000 issues by September 30, 1999, which is prior to any anticipated impact on our operating systems. We expect some testing and verification activities, as well as some upgrading of the wafer fabrication equipment, to continue through the end of the year. We also expect some aspects of the Year 2000 plan to continue beyond January 1, 2000 with respect to resolution of non-critical issues. However, these dates are contingent upon the timeliness and accuracy of software and hardware upgrades from vendors, adequacy and

35

quality of resources available to work on completion of the project and any other unforeseen factors.

Costs. The total expense of the Year 2000 plan is currently estimated to be approximately \$25 million, although actual expenditures may differ. Actual costs incurred through the end of the second quarter of 1999 were approximately \$15 million, the majority of which was expensed. The expenses of the Year 2000 project are being funded through operating cash flows.

Estimates. The costs of the Year 2000 plan and the dates on which we believe we will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events,

including the continued availability of certain resources, third-party modification plans and other factors. We cannot give any assurance that these estimates will be achieved. Consequently, actual results could differ materially from those anticipated.

Contingency Planning. While substantial contingency planning has occurred, we have not yet completed a comprehensive contingency plan to address situations that may result if we are unable to achieve Year 2000 readiness of our critical operations. Development of contingency plans is in progress and will develop and expand during the remainder of 1999. We cannot give any assurance that we will be able to develop a contingency plan that will adequately address all issues that may arise in the year 2000. Our failure to develop and implement, if necessary, an appropriate contingency plan could have a material adverse impact on our operations. Finally, we are also vulnerable to external forces that might generally affect industry and commerce, such as utility or transportation company Year 2000 compliance failures and related service interruptions.

Demand for Our Products Affected by Asian and Other Domestic and International Economic Conditions

While general industry demand is currently strengthening, the demand for our products during the last few years has been weak due to the general downturn in the worldwide semiconductor market and an economic crisis in Asia. The economic crisis in Asia may continue to adversely affect our business. A renewed decline of the worldwide semiconductor market and economic condition in Asia could decrease the demand for microprocessors and other ICs. A significant decline in economic conditions in any significant geographic area, both domestically and internationally, could decrease the overall demand for our products.

Flash Memory Products

Competition in the market for Flash memory devices continues to increase as existing manufacturers introduce new products and industry-wide production capacity increases, and as Intel continues to aggressively price its Flash memory products. We expect competition in the marketplace for Flash memory devices to continue to increase. It is possible that we will be unable to maintain or increase our market share in Flash memory devices as the market develops and as existing and potential new competitors introduce competitive products. A decline in our Flash memory device business or decline in the gross margin percentage in this product line could have a material adverse effect on this product line.

Other Risk Factors

Debt Restrictions. The Loan Agreement and the Indenture contain significant covenants that limit our ability and our subsidiaries' ability to engage in various transactions and require satisfaction

36

of specified financial performance criteria. In addition, the occurrence of certain events, including, among other things, failure to comply with the foregoing covenants, material inaccuracies of representations and warranties, certain defaults under or acceleration of other indebtedness and events of bankruptcy or insolvency would, in certain cases after notice and grace periods, constitute events of default permitting acceleration of indebtedness. The limitations imposed by the Loan Agreement and the Indenture are substantial, and failure to comply with such limitations could have a material adverse effect on our business.

In addition, the Dresden Loan Agreements substantially prohibit AMD Saxony from transferring assets to us, which will prevent us from using current or future assets of AMD Saxony other than to satisfy obligations of AMD Saxony.

Technological Change and Industry Standards. The market for our products is generally characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. Currently accepted industry standards may change. Our success depends substantially on our ability, on a cost-effective and timely basis, to continue to enhance our existing products and to develop and introduce new products that take advantage of technological advances and adhere to evolving industry standards. An unexpected change in one or more of the technologies related to our products, in market demand for products based on a particular technology or of accepted industry standards could materially and adversely affect our business. We may or may not be able to develop new products in a timely and satisfactory manner to address new industry standards and technological changes, or to respond to new product announcements by others. In addition, new products may or may not achieve market acceptance.

Competition. The IC industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, prices normally decrease over time as production efficiency and competition increase, and as successive generations of products are developed and introduced for sale. Technological advances in the industry

result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on:

- . performance;
- . product quality and reliability;
- . price;
- . adherence to industry standards;
- . software and hardware compatibility;
- . marketing and distribution capability;
- . brand recognition;
- . financial strength; and
- . ability to deliver in large volumes on a timely basis.

Fluctuations in Operating Results. Our operating results are subject to substantial quarterly and annual fluctuations due to a variety of factors, including:

37

- . the effects of competition with Intel in microprocessor and Flash memory device markets;
- . competitive pricing pressures;
- . anticipated decreases in unit average selling prices of our products;
- . production capacity levels and fluctuations in manufacturing yields;
- . availability and cost of products from our suppliers;
- . the gain or loss of significant customers;
- . new product introductions by us or our competitors;
- . changes in the mix of products produced and sold and in the mix of sales by distribution channels;
- . market acceptance of new or enhanced versions of our products;
- . seasonal customer demand due to vacation and holiday schedules (for example, decreased demand in Europe during the summer); and
- . the timing of significant orders and the timing and extent of product development costs.

In addition, operating results have recently been, and may in the future be, adversely affected by general economic and other conditions causing a downturn in the market for semiconductor devices, or otherwise affecting the timing of customer orders or causing order cancellations or rescheduling. Our customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of our control. These factors are difficult to forecast, and these or other factors could materially and adversely affect our quarterly or annual operating results.

Order Revision and Cancellation Policies. We manufacture and market standard lines of products. Sales are made primarily pursuant to purchase orders for current delivery, or agreements covering purchases over a period of time, which may be revised or canceled without penalty. As a result, we must commit resources to the production of products without any advance purchase commitments from customers. Our inability to sell products after we devoted significant resources to them could have a material adverse effect on our business.

Distributors typically maintain an inventory of our products. In most instances our agreements with distributors protect their inventory of our products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally allow for the return of our products if the agreement with the distributor is terminated. The market for our products is generally characterized by, among other things, severe price competition. The price protection and return rights we offer to our distributors could materially and adversely affect us if there is an unexpected significant decline in the price of our products.

Key Personnel. Our future success depends upon the continued service of numerous key engineering, manufacturing, sales and executive personnel. We may or may not be able to continue to attract and retain qualified personnel necessary for the development and manufacture of our products. Loss of the service of, or failure to recruit, key engineering design personnel could be significantly detrimental to our product development programs or otherwise have a material adverse effect on our business.

Intellectual Property Rights; Potential Litigation. It is possible that:

38

- . we will be unable to protect our technology or other intellectual property adequately through patents, copyrights, trade secrets, trademarks and other measures;
- . patent applications that we may file will not be issued;
- . foreign intellectual property laws will not protect our intellectual property rights;
- . any patent licensed by or issued to us will be challenged, invalidated or circumvented or that the rights granted thereunder will not provide

- competitive advantages to us; and
- others will independently develop similar products, duplicate our products or design around our patents and other rights.

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could materially and adversely affect our business. We cannot give any assurance that all necessary licenses can be obtained on satisfactory terms, or whether litigation may always be avoided or successfully concluded.

Environmental Regulations. We could possibly be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process. Such regulations could require us to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Our failure to control the use, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business.

International Sales. Our international sales operations entail political and economic risks, including expropriation, currency controls, exchange rate fluctuations, changes in freight rates and changes in rates and exemptions for taxes and tariffs.

Volatility of Stock Price; Ability to Access Capital. Based on the trading history of our stock, we believe that the following factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially:

- quarterly fluctuations in our financial results;
- announcements of new products and/or pricing by us or our competitors;
- the pace of new product manufacturing ramps;
- production yields of key products; and
- general conditions in the semiconductor industry.

In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of our common stock in any given period. Technology company stocks in general have experienced extreme price and volume fluctuations that are often unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of our common stock and consequently limit our ability to raise capital or to make acquisitions. Our current business plan envisions substantial cash outlays requiring external capital financing. It is possible

39

that capital and/or long-term financing will be unavailable on terms favorable to us or in sufficient amounts to enable us to implement our current plan.

Earthquake Danger. Our corporate headquarters, a portion of our manufacturing facilities, assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. We could be materially and adversely affected in the event of a major earthquake.

Euro Conversion. On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro. The participating countries adopted the euro as their common legal currency on that date. The transition period will last through January 1, 2002. We are assessing the potential impact to us that may result from the euro conversion. We do not expect the introduction and use of the euro to materially affect our foreign exchange activities, to affect our use of derivatives and other financial instruments, or to result in any material increase in costs to us. We will continue to assess the impact of the introduction of the euro currency over the transition period as well as the period subsequent to the transition, as applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In 1998, we entered into a no-cost collar arrangement to hedge Dresden Fab 30 project costs through which we purchased \$300 million of put option contracts and sold \$300 million of call option contracts. In the second quarter of 1999, we entered into a no-cost collar arrangement to offset and neutralize our remaining 1998 no-cost collar position.

For additional Quantitative and Qualitative Disclosures about Market Risk, including other foreign exchange risks associated with Dresden Fab 30, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

AMD V. ALTERA CORPORATION. This litigation, which began in 1994, involves multiple claims and counterclaims for patent infringement relating to AMD's and Altera Corporation's programmable logic devices. In a trial held in May 1996, a jury found that at least five of the eight AMD patents-in-suit were licensed to Altera. As a result of the bench trial held in August 1997, the Court held that Altera was licensed to the three remaining AMD patents-in-suit. Seven patents were asserted by Altera in its counterclaim against AMD. The Court determined that we are licensed to five of the seven patents and two remain in suit. Altera filed a motion to recover attorneys' fees in November 1997. AMD then filed, and the Court granted, a motion to stay determination of the attorneys' fees motion until resolution of its appeal. AMD filed an appeal of the rulings of the jury and Court determinations that Altera is licensed to each of our eight patents-in-suit. Both parties filed briefs and the Federal Court of Appeal heard oral argument on our appeal in November 1998. In April 1999, the Federal Court of Appeal reversed the earlier jury and Court decisions and held that Altera is not licensed to the eight AMD patents-in-suit. Also in April 1999, and following the decision of the Federal Court of Appeal, Altera filed a petition for rehearing. In June 1999, in connection with the sale of Vantis to Lattice Semiconductor Corporation, AMD transferred this proceeding and substantially all of its rights and liabilities relating to this action to Vantis.

SECURITIES CLASS ACTION LITIGATION. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in the following lawsuits: Arthur S. Feldman v. Advanced Micro Devices, Inc., et al.; Pamela Lee v. Advanced Micro Devices, Inc., et al.; Izidor Klein v. Advanced Micro Devices, Inc., et al.; Nancy P. Steinman v. Advanced Micro Devices, Inc., et al.; Robert L. Dworkin v. Advanced Micro Devices, Inc., et al.; Howard M. Lasker v. Advanced Micro Devices, Inc., et al.; John K. Thompson v. Advanced Micro Devices, Inc., et al.; Dan Schwartz v. Advanced Micro Devices, Inc., et al.; Serena Salamon and Norman Silverberg v. Advanced Micro Devices, Inc., et al.; David Wu and Hossein Mizraie v. Advanced Micro Devices, Inc., et al.; Eidman v. Advanced Micro Devices, Inc., et al.; Nold v. Advanced Micro Devices, Inc., et al.; Freeland v. Advanced Micro Devices, Inc., et al.; Fradkin v. Advanced Micro Devices, Inc., et al.; Ellis Investment Co. v. Advanced Micro Devices, Inc., et al.; Dezwareh v. Advanced Micro Devices, Inc., et al.; and Tordjman v. Advanced Micro Devices, Inc., et al. These class action complaints allege various violations of federal securities law, including violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder. Most of the complaints purportedly were filed on behalf of all persons, other than the defendants, who purchased or otherwise acquired common stock of AMD during the period from October 6, 1998 to March 8, 1999. Two of the complaints allege a class period from July 13, 1998 to March 9, 1999. All of the complaints allege that materially misleading statements and/or material omissions were made by AMD and certain individual officers of AMD concerning design and production problems relating to high-speed versions of the AMD-K6-2 and AMD-K6-III microprocessors. The complaints seek unspecified

damages, equitable relief, interest, fees and other litigation costs. AMD expects that these suits will be consolidated into one action within the next several months. AMD intends to contest the litigation vigorously. Based upon information presently known to management, AMD does not believe that the ultimate resolution of these lawsuits will have a material adverse effect on our financial condition or results of operations.

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

AMD's annual meeting of stockholders was held on April 29, 1999. The following are the results of the voting on the proposals submitted to stockholders at the annual meeting.

Proposal No. 1 Election of Directors. The following individuals were elected as directors:

<CAPTION>

Name	For	Withheld
<S>	<C>	<C>
W.J. Sanders III	112,533,049	3,283,216
Friedrich Baur	113,035,661	2,780,604
Charles M. Balack	113,043,435	2,772,830
R. Gene Brown	113,102,443	2,713,822
Robert B. Palmer	112,459,051	3,357,214
Richard Previte	113,047,177	2,769,088
S. Atiq Raza	113,129,163	2,687,102
Joe L. Roby	113,136,135	2,680,130
Leonard Silverman	113,130,231	2,686,034

Proposal No. 2 The proposal to ratify the appointment of Ernst & Young LLP as AMD's independent auditors for the current fiscal year was approved.

<TABLE>

<S>	<C>	<C>	<C>	<C>	
For:	114,367,748	Against:	963,645	Abstain:	484,872

Proposal No. 3 The proposal to approve the amendment to the 1991 Stock Purchase Plan was approved.

<TABLE>

<S>	<C>	<C>	<C>	<C>	
For:	110,406,655	Against:	4,503,309	Abstain:	906,301

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 2.3(a) First Amendment to Stock Purchase Agreement, dated as of June 7, 1999, between AMD and Lattice Semiconductor Corporation.
- 2.3(b) Second Amendment to Stock Purchase Agreement, dated as of June 15, 1999, between AMD and Lattice Semiconductor Corporation.

42

- 10.24(i) Eighth Amendment to Credit Agreement, dated as of June 25, 1999, among AMD, Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndicated agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.
- 10.24(j) Ninth Amendment to Credit Agreement, dated as of July 30, 1999, among AMD, Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndicated agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.
- 10.50(a-3) Supplemental Agreement No. 2 to the Syndicated Loan Agreement as of March 11, 1997, dated as of June 29, 1999, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A.
- 10.50(f-3) Second Amendment to Sponsors' Support Agreement, dated as of June 29, 1999, among AMD, AMD Saxony Holding GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A.
- 10.50(g-3) Second Amendment to Sponsors' Loan Agreement, dated as of June 25, 1999, among AMD, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH.
- 10.51 Loan and Security Agreement, dated as of July 13, 1999, among AMD, AMD International Sales and Service, Ltd. and Bank of America NT&SA, as agent.
- 10.51(a) First Amendment to Loan and Security Agreement, dated as of July 30, 1999, among AMD, AMD International Sales and Service, Ltd. and Bank of America NT&SA, as agent.
- 10.52 Agreement, dated as of June 16, 1999, between AMD and Richard Previte.
- 10.53 Agreement, dated as of June 23, 1999, between AMD and Gene Conner.
- 27.1 Financial Data Schedule

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter for which this report is filed:

1. Current Report on Form 8-K dated April 7, 1999 reporting under Item 5-Other Events with respect to expected financial results for the first quarter ended March 28, 1999.
2. Current Report on Form 8-K dated April 14, 1999 reporting under Item 5-Other Events with respect to financial results for the first quarter ended March 28, 1999.
3. Current Report on Form 8-K dated April 21, 1999 reporting under Item 5-Other Events with respect to execution of a definitive agreement with Lattice Semiconductor Corporation for the sale of Vantis.

43

4. Current Report on Form 8-K dated June 15, 1999, as amended, reporting under Item 2 - Acquisition or Disposition of Assets with respect to the completion of the sale of Vantis to Lattice Semiconductor Corporation.
5. Current Report on Form 8-K dated June 23, 1999 reporting under Item 5-Other Events with respect to expected financial results for the second quarter ended June 27, 1999.

44

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

ADVANCED MICRO DEVICES, INC.

Date: August 6, 1999

By: /s/ Francis P. Barton

Francis P. Barton
Senior Vice President, Chief Financial Officer

Signing on behalf of the registrant and as
the principal accounting officer

45

FIRST AMENDMENT TO
STOCK PURCHASE AGREEMENT

This FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT dated as of June 7, 1999 is entered into by and between Lattice Semiconductor Corporation, a Delaware corporation ("Buyer"), and Advanced Micro Devices, Inc., a Delaware corporation ("Seller"). Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings assigned to them in the Stock Purchase Agreement, dated as of April 21, 1999, by and between Buyer and Seller (the "Stock Purchase Agreement").

RECITALS

A. Seller and Buyer entered into the Stock Purchase Agreement, whereby Seller has agreed to sell, and Buyer has agreed to purchase, all of the issued and outstanding capital stock of Vantis Corporation ("Vantis").

B. Seller and Buyer desire to amend certain terms of the Stock Purchase Agreement.

AGREEMENT

Now, therefore, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amendment

Section 1.3 of the Stock Purchase Agreement shall be deleted in its entirety and replaced with the following:

"1.3 The Closing. The Closing shall take place at the offices

of Wilson, Sonsini, Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304-1050 on June 14, 1999, or as soon as practicable after all conditions specified in Articles VI, VII and VIII have been satisfied or waived in accordance with this Agreement, but not later than the fifth business day following the date that all conditions specified in Articles VI, VII and VIII have been satisfied or waived in accordance with this Agreement, or at such other place or on such other date as Seller and Buyer may mutually agree."

2. Miscellaneous

a. Stock Purchase Agreement Otherwise Not Affected. Except as expressly amended pursuant hereto, the Stock Purchase Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects.

b. Amendment and Waivers. This Amendment may be amended only by an agreement in writing executed on behalf of both Buyer and Seller. No waiver of any provision nor consent to any exception to the terms of the Amendment shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.

c. Integration. This Amendment constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

d. No Assignment. Neither this Amendment nor any rights or obligations under it are assignable, except that Buyer may assign its rights, but not its obligations, hereunder to any wholly owned subsidiary of Buyer. Subject to the foregoing sentence, this Amendment is binding upon and inures to the benefit of and is enforceable by the parties hereto and their respective successors and permitted assigns.

e. Counterparts. This Amendment and any amendment hereto or any other agreement or document delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement or other document and shall become effective unless otherwise provided therein when one or more counterparts have been signed by each party and delivered to the other party.

f. Severability. If any provision of this Amendment is determined to be invalid, illegal or unenforceable by any Governmental Entity, the remaining provisions of this Amendment shall remain in full force and effect provided that the essential terms and conditions of this Amendment for both parties remain valid, binding and enforceable. To the extent permitted by Law, the parties hereby to the same extent waive any provision of Law that renders any provision

hereof prohibited or unenforceable in any respect.

g. Parties in Interest. Except as set forth in Article 10 of the Stock Purchase Agreement with respect to Indemnified Parties, nothing in this Amendment, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Amendment.

h. Governing Law. This Amendment, the legal relations between the parties and any Action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Amendment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State and without regard to conflicts of law doctrines.

2

In Witness whereof, each of Buyer and Seller has caused this Amendment to be executed by its duly authorized representation as of the date first above written.

BUYER:

LATTICE SEMICONDUCTOR CORPORATION,
a Delaware corporation

By: /s/ Steven A. Laub

Name: Steven A. Laub
Title: Chief Operating Officer

SELLER:

ADVANCED MICRO DEVICES, INC.
a Delaware corporation

By: /s/ Thomas M. McCoy

Name: Thomas M. McCoy, Esq
Title: Senior Vice President, General Counsel
and Secretary

SECOND AMENDMENT TO
STOCK PURCHASE AGREEMENT

This SECOND AMENDMENT TO STOCK PURCHASE AGREEMENT dated as of June 15, 1999 is entered into by and between Lattice Semiconductor Corporation, a Delaware corporation ("Buyer"), and Advanced Micro Devices, Inc., a Delaware corporation ("Seller"). Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings assigned to them in the Stock Purchase Agreement, dated as of April 21, 1999, by and between Buyer and Seller, as amended by the First Amendment to Stock Purchase Agreement dated as of June 7, 1999 (as amended, the "Stock Purchase Agreement").

RECITALS

A. Seller and Buyer entered into the Stock Purchase Agreement, whereby Seller has agreed to sell, and Buyer has agreed to purchase, all of the issued and outstanding capital stock of Vantis Corporation ("Vantis").

B. Seller and Buyer desire to amend certain terms of the Stock Purchase Agreement.

AGREEMENT

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

1. AMENDMENTS

a. The fifth sentence of Section 1.2 of the Stock Purchase Agreement, describing the calculation of the Company Per Share Value, is hereby amended and restated as follows:

"The Company Per Share Value shall equal the quotient determined by dividing the Estimated Purchase Price (as defined in Section 1.4) by the fully diluted number of shares of Company common stock outstanding immediately prior to the close of this transaction (reflecting all shares subject to Company Options (but excluding any shares subject to Company Options granted after April 21, 1999)), without applying the treasury method."

b. The final sentence of Section 1.2 of the Stock Purchase Agreement is hereby amended and restated as follows:

"As soon as reasonably practicable, but in no event more than 90 days after the Closing Date, Buyer will issue to each person who immediately prior to the Closing Date was a holder of Company Options a document evidencing the foregoing assumption of such option by Buyer."

1

c. Section 1.3 of the Stock Purchase Agreement is hereby amended by deleting Section 1.3 in its entirety and replacing it with the following:

"The Closing. The Closing shall take place at the offices of Wilson, Sonsini, Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304-1050 on June 15, 1999, or as soon as practicable after all conditions specified in Articles VI, VII and VIII have been satisfied or waived in accordance with this Agreement, but not later than the fifth business day following the date that all conditions specified in Articles VI, VII and VIII have been satisfied or waived in accordance with this Agreement, or at such other place or on such other date as Seller and Buyer may mutually agree."

d. The heading of Section 5.2 of the Stock Purchase Agreement is hereby amended to read "No Rights to Seller Intellectual Property and Limited Trademark License."

e. Section 5.2 of the Stock Purchase Agreement is hereby amended to insert an "(a)" immediately prior to the text thereof

f. Section 5.2 of the Stock Purchase Agreement is hereby amended to add new Section 5.2(b) as follows:

"(b) Seller hereby grants to Company and Buyer, for the period

beginning on the Closing Date and ending on the last day of the fifteenth month following the Closing Date, a worldwide, non-exclusive, non-transferable license under the Transition Trademarks (as defined below) to use such trademarks in connection with documentation, collateral materials, packaging and sale of Transition Products (as defined below) in substantially the same manner that such trademarks were used by the Seller or Company prior to the Closing; provided, however, that no Transition Trademark shall be used in public advertising of any product, service or entity. Company shall maintain the quality of the goods with which such trademarks are used at the level maintained by Company or Seller prior to Closing. Without limiting the foregoing, neither Buyer nor Company shall use the Transition Trademarks in a manner that detracts from the goodwill associated with the use of such trademarks or in a manner contrary to the reasonable instructions of Seller. All goodwill associated with the use of such Transition Trademarks shall inure to the benefit of Seller. Buyer and Company agree to use commercially reasonable efforts to obtain or to effect customer qualifications of the Transition Products to remove the Transition Trademarks. For the purposes of this Section 5.2(b), (A) "Transition Products" means all products sold, offered for sale, or provided by Company prior to the

2

Closing including all such products in the Company's inventory as of the Closing Date, and (B) "Transition Trademarks" means all trademarks, logos, graphics, and trade dress of Seller used by Company prior to the Closing Date in connection with the marketing, sale, promotion and packaging of the Transition Products, other than those which are transferred to Company. Buyer shall indemnify and hold harmless Seller against any Loss arising out of any warranty or product liability claims asserted against Seller with respect to Transition Products sold by Company or Buyer after the Closing Date resulting from Buyers or Company's use of the Transition Marks, except to the extent that such claim arises from a breach by Seller or Company of any representation or warranty hereunder. The indemnity provided in this Section 5.2 shall be subject to Sections 10.3 and 10.4 of this Agreement but not the other provisions of Article X."

g. Section 5.8 of the Stock Purchase Agreement is hereby amended by adding a new sentence at the end of such Section, which shall read as follows:

"Notwithstanding any provision of this Agreement to the contrary, the lease identified as Item 1 to Schedule 5.8 (re "Premises at 985/995 Stewart Drive, Sunnyvale, California") shall be assigned immediately following the Closing Date pursuant to the Lease Assignment and Assumption Agreement in the form attached hereto as Exhibit 5.8(a)."

h. Section 5.14 of the Stock Purchase Agreement is hereby amended by deleting clause (a) of Section 5.14 and replacing it with the following:

"(a) Seller shall continue to use its best efforts to obtain such Approval from and after the Closing, subject (in the case of software licenses) to the Limit, as set forth in Section 5.16(c)."

i. Section 5.16 of the Stock Purchase Agreement is hereby amended by deleting Section 5.16(a) in its entirety and replacing it with the following:

"(a) This Section 5.16 does not apply to Intellectual Property or trade secrets, except that this Section 5.16 does apply to the Intellectual Property of the type described in clause (i)(B) or (i)(C) of Section 2.8(b) (the "Applicable Intellectual Property") identified on the Schedule to clause (i) of Section 2.8(b) and the Applicable Intellectual Property referred to in the board resolutions identified in Section 5.16(b)(i) (or the attachments thereto) and the unregistered trademarks listed on the Schedule to clause (i) of Section 2.8(b).

j. Section 5.16 of the Stock Purchase Agreement is hereby amended by deleting Section 5.16(c) in its entirety and replacing it with the following:

"(c) To the extent any Other Business Assets have not been assigned and transferred prior to Closing, Seller shall take such additionally

3

commercially reasonable actions after the Closing to effect such assignments and transfers as are reasonably requested by Buyer (or, in the case of any third party software licenses, replace such license); provided, however, that with respect to the transfer and assignment of any third party software licenses contemplated by this Section 5.16 or Section 5.14(a), or otherwise necessary or used to conduct the Business (unless only necessary or used to conduct the bi-polar programmable logic device business) as conducted prior to the Closing (but without reliance on the rights of Seller or any of its Affiliates, other than the Company) (collectively, "Third Party Licenses"), Seller shall use commercially reasonable actions after the Closing to effect such assignments and transfers (or replace the licenses with substantially similar licenses). Buyer may make arrangements for the transfer or assignment of Third Party Licenses (or the replacement thereof with substantially similar licenses) and Seller shall reimburse Buyer any sums paid to third party licensors for such transfers, assignments and replacements; provided that this sentence shall not apply to the EDA Software licenses from Cadence Design Systems, Inc. (the "Cadence Licenses"). Notwithstanding the foregoing, Seller shall not be obligated to pay to third party licensors and/or reimburse Buyer amounts (other than amounts in respect of the Cadence Licenses) in excess of \$800,000 in the aggregate for all such assignments, transfers, replacements or reimbursements (the "Limit"). In addition, Seller's obligations to expend sums for the assignment, transfer or replacement of Third Party Licenses shall terminate on the first anniversary of the Closing Date. Payments made by Seller to licensors for the assignment, transfer or replacement of Third Party Licenses, which are subject to the Limit, shall not be made without the consent of Buyer, which consent shall not be unreasonably withheld."

k. Section 5.16(d) of the Stock Purchase Agreement is hereby amended by deleting Section 5.16(d) in its entirety and replacing it with the following:

"(d) Subject to the limitations set forth in Section 5.16(c), the assignments and transfers pursuant to this Section 5.16 shall be at no cost to Buyer, Company or their respective subsidiaries and Affiliates; provided, however, that the transfer by Seller and purchase by Company of certain leasehold improvements at Stewart Drive, Sunnyvale, California at or prior to the Closing shall take place for \$3,768,000."

l. Section 5.16 of the Stock Purchase Agreement is hereby amended by adding a new Section 5.16(e) immediately after Section 5.16(d), which shall read in its entirety as follows:

"(e) Seller will execute or cause its controlled Affiliates to execute, if applicable, all such further assignments and other documents as are reasonably requested by Buyer to give effect to, record and evidence any assignments and transfers required to be made pursuant hereto or

4

Section 5.15 at no cost to Buyer, Company or their respective subsidiaries and Affiliates."

m. Section 13.2 of the Stock Purchase Agreement is hereby amended by deleting the penultimate sentence of the definition of "Agreed Accounting Principles" and inserting in lieu thereof the following:

"Except for the purchase of certain leasehold improvements contemplated by the proviso of Section 5.16(d), which shall be valued at \$3,768,000, assets contributed to Company or any Subsidiary by Seller or any of its controlled Affiliates after the date hereof will be valued at zero."

n. Section 13.2 of the Stock Purchase Agreement is hereby amended by deleting the first sentence of the definition of "Business" which reads "'Business' means the business of Company and the Subsidiaries taken as a whole, and shall be deemed to include the following incidents of such business: income, cash flow, operations, condition (financial or other), assets, properties, revenues and liabilities" and replacing it with the following:

"'Business' means the business of Company and the Subsidiaries taken as a whole (including the bi-polar programmable logic device business of Seller, whether or not previously included in the business of the Company and the Subsidiaries), and shall be deemed to include the following incidents of such business: income, cash flow, operations, condition (financial or other), assets, properties, revenues and liabilities."

o. Section 1.4 of the Stock Purchase Agreement is hereby amended by deleting the second sentence of such Section which reads "Not later than five business days prior to the Closing Date, Seller shall deliver to Buyer a written notice setting forth Seller's good faith estimate (applying the Agreed Accounting Principles) as of the Closing Date of the Closing Equity Adjustment Amount (the "Estimated Closing Equity Adjustment Amount") and, based thereon, Seller's calculation of the Estimated Purchase Price, which shall be binding on Buyer and Seller as the Estimated Purchase Price hereunder absent manifest error" and replacing it with the following:

"Not later than five business days prior to the Closing Date, Seller shall deliver to Buyer a written notice setting forth Seller's good faith estimate (applying the Agreed Accounting Principles), which estimate shall be based upon a balance sheet prepared as of a date no earlier than five days prior to the Closing Date, of the Closing Equity Adjustment Amount (the "Estimated Closing Equity Adjustment Amount") and, based thereon, Seller's calculation of the Estimated Purchase Price, which shall be binding on Buyer and Seller as the Estimated Purchase Price hereunder absent manifest error."

5

2. Miscellaneous

a. Stock Purchase Agreement Otherwise Not Affected. Except as expressly amended pursuant hereto, the Stock Purchase Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects.

b. Amendment and Waivers. This Amendment may be amended only by an agreement in writing executed on behalf of both Buyer and Seller. No waiver of any provision nor consent to any exception to the terms of the Amendment shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.

c. Integration. This Amendment constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

d. No Assignment. Neither this Amendment nor any rights or obligations under it are assignable, except that Buyer may assign its rights, but not its obligations, hereunder to any wholly owned subsidiary of Buyer. Subject to the foregoing sentence, this Amendment is binding upon and inures to the benefit of and is enforceable by the parties hereto and their respective successors and permitted assigns.

e. Counterparts. This Amendment and any amendment hereto or any other agreement or document delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement or other document and shall become effective unless otherwise provided therein when one or more counterparts have been signed by each party and delivered to the other party.

f. Severability. If any provision of this Amendment is determined to be invalid, illegal or unenforceable by any Governmental Entity, the remaining provisions of this Amendment shall remain in full force and effect provided that the essential terms and conditions of this Amendment for both parties remain valid, binding and enforceable. To the extent permitted by Law, the parties hereby to the same extent waive any provision of Law that renders any provision hereof prohibited or unenforceable in any respect.

g. Parties in Interest. Except as set forth in Article 10 of the Stock Purchase Agreement with respect to Indemnified Parties, nothing in this Amendment, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Amendment.

h. Governing Law. This Amendment, the legal relations between the parties and any Action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Amendment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State and without regard to conflicts of law doctrines.

6

In Witness Whereof, each of Buyer and Seller has caused this Amendment to be executed by its duly authorized representation as of the date first above written.

BUYER:

LATTICE SEMICONDUCTOR CORPORATION,
a Delaware corporation

By: /s/ Steven A. Laub

Name: Steven A. Laub
Title: Chief Operating Officer

SELLER:

ADVANCED MICRO DEVICES, INC.,
a Delaware corporation

By: /s/ Thomas M. McCoy

Name: Thomas M. McCoy, Esq.
Title: Senior Vice President, General Counsel and
Secretary

EIGHTH AMENDMENT TO CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is

 entered into as of June 25, 1999, among Advanced Micro Devices, Inc., a
 Delaware corporation (the "Company"), the "Banks" party to the Credit Agreement

 referenced below (collectively, the "Banks"), ABN AMRO Bank N.V., as Syndication

 Agent for the Banks (the "Syndication Agent"), Canadian Imperial Bank of

 Commerce, as Documentation Agent for the Banks (the "Documentation Agent"), and

 Bank of America National Trust and Savings Association, as Administrative Agent
 for the Banks (the "Agent").

WHEREAS, the Company, the Banks, the Syndication Agent, the
 Documentation Agent and the Agent are parties to a Credit Agreement dated as of
 July 19, 1996, as amended by a First Amendment to Credit Agreement dated as of
 August 7, 1996, a Second Amendment to Credit Agreement dated as of September 9,
 1996, a Third Amendment to Credit Agreement dated as of October 1, 1997, a
 Fourth Amendment to Credit Agreement dated as of January 26, 1998, a Fifth
 Amendment to Credit Agreement dated as of February 26, 1998, a Sixth Amendment
 to Credit Agreement dated as of June 30, 1998, and a Seventh Amendment to Credit
 Agreement and Waiver dated as of April 8, 1999 (as so amended, the "Credit

 Agreement");

WHEREAS, the Company has requested that the Majority Banks agree to
 certain amendments to the Credit Agreement;

WHEREAS, the Majority Banks have agreed to such request, subject to
 the terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual agreements, provisions
 and covenants contained herein, the parties hereto agree as follows:

1. Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in

 this Amendment (including in the recitals hereof) and not otherwise defined
 herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section

 1.02 of the Credit Agreement shall be applicable to this Amendment and are
 incorporated herein by this reference.

2. Amendments to the Credit Agreement.

(a) Amendments. The Credit Agreement is hereby amended as

 follows:

(i) Section 7.16 of the Credit Agreement is hereby amended
 and restated in its entirety as follows:

"7.16 Minimum Tangible Net Worth. The Company shall not suffer or

 permit its Consolidated Tangible Net Worth as of the end of any fiscal
 quarter to be less than \$1,500,000,000."

(ii) Section 7.18 of the Credit Agreement is hereby
 amended by amending and restating clause (e) thereof as follows:

"(e) 1.25 to 1.00 at the end of the second fiscal quarter of 1999 and
 thereafter."

(b) References Within Credit Agreement. Each reference in the

 Credit Agreement to "this Agreement" and the words "hereof," "herein,"
 "hereunder," or words of like import, shall mean and be a reference to the
 Credit Agreement as amended by this Amendment.

3. Irrevocable Notice of Prepayment and Termination of Revolving

 Commitments. (a) The Company hereby gives notice to the Agent (which notice

- -----
shall be irrevocable) pursuant to Section 2.05 of the Credit Agreement that it terminates the Revolving Commitment of each Bank effective as of the date hereof. In connection with such termination of the Revolving Commitments, the Company shall repay on the date hereof all outstanding Revolving Loans, together with all accrued and unpaid interest thereon, all amounts payable under Section 3.04 of the Credit Agreement and all accrued and unpaid commitment fees payable under subsection 2.10(b) of the Credit Agreement. The Majority Banks hereby waive the five-day notice requirement set forth in Section 2.05 of the Credit Agreement in respect of such termination of the Revolving Commitments.

(b) The Company hereby gives notice to the Agent (which notice shall be irrevocable) pursuant to Section 2.06 of the Credit Agreement that it shall prepay in full, on the earlier of (i) August 31, 1999, and (ii) the date on which the Company refinances amounts outstanding under the Credit Agreement with a new credit facility, all Term Loans then outstanding, together with all accrued and unpaid interest thereon and all amounts payable under Section 3.04 of the Credit Agreement. The Majority Banks hereby waive the requirement under Section 2.06 of the Credit Agreement that such prepayment be in a multiple of \$5,000,000.

4. Representations and Warranties. The Company hereby represents

and warrants to the Agent, the Syndication Agent, the Documentation Agent and the Banks as follows:

a. No Default or Event of Default has occurred and is continuing.

b. The execution, delivery and performance by the Company of this Amendment (i) have been duly authorized by all necessary corporate and other action, (ii) do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable, and (iii) do not and will not constitute a breach or contravention of, or result in a default under, any document evidencing any Contractual Obligation to which the Company or any of its Subsidiaries is a party which is a material contract attached as an exhibit to the Company's most recent annual report on Form 10-K.

2

c. This Amendment and the Loan Documents, as amended by this Amendment, constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, without defense, counterclaim or offset.

5. Amendment Effective Date. This Amendment will become effective

as of June 25, 1999, provided that the Agent has received (a) from each of the

Company and the Majority Banks an executed counterpart of this Amendment, and (b) from the Company the fees payable under that certain letter agreement dated June 18, 1999, among the Company, the Agent and Banc of America Securities, LLC.

6. Miscellaneous.

(a) Credit Agreement Otherwise Not Affected. Except as

expressly amended pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks', the Agent's, the Syndication Agent's and the Documentation Agent's execution and delivery of, or acceptance of, this Amendment shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(b) No Reliance. The Company hereby acknowledges and confirms to

the Agent, the Syndication Agent, the Documentation Agent and the Banks that the Company is executing this Amendment on the basis of its own investigations and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of the Agent, the Syndication Agent, the Documentation Agent, any Bank or any other Person.

(c) Amendments and Waivers. The provisions of this Amendment may

only be amended or waived, and any consent with respect to any departure by the Company therefrom may only be granted, in accordance with the terms of Section 10.01 of the Credit Agreement.

(d) Costs and Expenses. The Company shall, whether or not the

amendments contemplated hereby shall become effective, pay or reimburse the Agent, within five Business Days after demand, for all costs and expenses

incurred by the Agent in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to, this Amendment and the consummation of the transactions contemplated hereby and thereby, including the Attorney Costs incurred by the Agent with respect thereto.

(e) Successors and Assigns. The provisions of this Amendment

shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Counterparts. This Amendment may be executed by one or more

of the parties to this Amendment in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. The parties hereto agree that the Agent

3

and the Company may accept and rely on facsimile transmissions of executed signature pages of this Amendment.

(g) Severability. The illegality or unenforceability of any

provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(h) No Third Parties Benefited. This Amendment is made and

entered into for the sole protection and legal benefit of the Company, the Syndication Agent, the Documentation Agent, the Banks and the Agent, and their successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment. Each of the Agent, the Syndication Agent, the Documentation Agent and the Banks shall not have any obligation to any Person not a party to this Amendment.

(i) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(j) Entire Agreement. This Amendment embodies the entire

agreement and understanding among the Company, the Banks, the Syndication Agent, the Documentation Agent and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

(k) Interpretation. This Amendment is the result of

negotiations between and has been reviewed by counsel to the Agent, the Company and other parties, and is the product of all parties hereto. Accordingly, this Amendment shall not be construed against the Banks, the Syndication Agent, the Documentation Agent or the Agent merely because of the Agent's or such other Person's involvement in the preparation of such documents and agreements.

[Signature pages follow.]

4

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California, by their proper and duly authorized officers as of the day and year first above written.

THE COMPANY

ADVANCED MICRO DEVICES, INC.

By: /s/ Francis P. Barton

Title: Chief Financial Officer

THE AGENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Administrative Agent

By: /s/ Roger J. Fleischmann

Title: Managing Director

THE SYNDICATION AGENT

ABN AMRO BANK N.V., as Syndication Agent

By: /s/ Richard R. DaCosta

Title: Vice President

By: /s/ Nanci H. Meyer

Title: Vice President

5

THE DOCUMENTATION AGENT

CANADIAN IMPERIAL BANK OF COMMERCE, as
Documentation Agent

By: _____

Title: _____

THE BANKS

BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION, as a Bank

By: /s/ Roger J. Fleischmann

Title: Managing Director

ABN AMRO BANK N.V., as a Bank

By: /s/ Richard R. DaCosta

Title: Vice President

By: /s/ Nanci H. Meyer

Title: Vice President

6

CANADIAN IMPERIAL BANK OF COMMERCE, as a Bank

By: _____

Title: _____

BANKBOSTON, N.A.

By: /s/ John B. Desmond

Title: Vice President

THE BANK OF NOVA SCOTIA

By: [an authorized signatory]

Title: _____

BANQUE PARIBAS

By: /s/ Jonathan Leon

Title: Vice President

By: /s/ John W. Kopcha

Title: Director

THE DAI-ICHI KANGYO BANK, LTD.

By: [an authorized signatory]

Title: SVP

7

FLEET NATIONAL BANK

By: _____

Title: _____

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ Kensaku Iwata

Title: Deputy General Manager

KEYBANK NATIONAL ASSOCIATION

By: /s/ Thomas A. Crandell

Title: Vice President

THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

By: /s/ Noboru Akahane

Title: Deputy General Manager

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

By: /s/ Douglas A. Lindstrom

Title: Assistant Vice President

8

ROYAL BANK OF CANADA

By: _____

Title: _____

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Glenn Leyrer

Title: Vice President

NINTH AMENDMENT TO CREDIT AGREEMENT

THIS NINTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is

 entered into as of July ___, 1999, among Advanced Micro Devices, Inc., a
 Delaware corporation (the "Company"), the "Banks" party to the Credit Agreement

 referenced below (collectively, the "Banks"), ABN AMRO Bank N.V., as Syndication

 Agent for the Banks (the "Syndication Agent"), Canadian Imperial Bank of

 Commerce, as Documentation Agent for the Banks (the "Documentation Agent"), and

 Bank of America National Trust and Savings Association, as Administrative Agent
 for the Banks (the "Agent").

WHEREAS, the Company, the Banks, the Syndication Agent, the
 Documentation Agent and the Agent are parties to a Credit Agreement dated as of
 July 19, 1996, as amended by a First Amendment to Credit Agreement dated as of
 August 7, 1996, a Second Amendment to Credit Agreement dated as of September 9,
 1996, a Third Amendment to Credit Agreement dated as of October 1, 1997, a
 Fourth Amendment to Credit Agreement dated as of January 26, 1998, a Fifth
 Amendment to Credit Agreement dated as of February 26, 1998, a Sixth Amendment
 to Credit Agreement dated as of June 30, 1998, a Seventh Amendment to Credit
 Agreement and Waiver dated as of April 8, 1999 and an Eighth Amendment to Credit
 Agreement dated as of June 25, 1999 (as so amended, the "Credit Agreement");

WHEREAS, the Company has requested that the Majority Banks agree to
 certain amendments to the Credit Agreement;

WHEREAS, the Majority Banks have agreed to such request, subject to
 the terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual agreements, provisions
 and covenants contained herein, the parties hereto agree as follows:

1. Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms

 used in this Amendment (including in the recitals hereof) and not otherwise
 defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in

 Section 1.02 of the Credit Agreement shall be applicable to this Amendment and
 are incorporated herein by this reference.

2. Amendments to the Credit Agreement.

(a) Amendments. The Credit Agreement is hereby amended as

 follows:

(i) Section 7.02 of the Credit Agreement is hereby amended by
 inserting immediately following the words "Receivables shall not be permitted"
 in the second line of the last paragraph thereof the following:

"and dispositions of assets by Restricted Subsidiaries to the Company or
 other Restricted Subsidiaries (except as permitted by subsections 7.02(a)
 and (b) above and except for transfers of equipment and inventory among
 the Company and Restricted Subsidiaries in accordance with Section 7.06),
 shall not be permitted"

(ii) Section 7.03 of the Credit Agreement is hereby amended
 by (a) adding the following after the end of subsection (a) thereof:

"and provided further that if any transaction shall be between AMD
 International Sales and Services, Ltd. ("AMDISS"), and another Restricted
 Subsidiary, AMDISS shall be the continuing or surviving corporation."

and (b) deleting subsection (b) of Section 7.03 of the Credit Agreement in its
 entirety.

(iii) Section 7.04(c) of the Credit Agreement is hereby
 amended and restated in its entirety as follows:

"(c) extensions of credit by the Company to any of its Wholly-Owned Subsidiaries (other than the German Subsidiary);"

(iv) A new Section 7.21 is hereby added to the Credit Agreement as follows:

"Section 7.21 Prepayments by Restricted Subsidiaries. No Restricted Subsidiary shall voluntarily prepay any Indebtedness."

(b) References Within Credit Agreement. Each reference in the Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

3. Representations and Warranties. The Company hereby represents and warrants to the Agent, the Syndication Agent, the Documentation Agent and the Banks as follows:

(a) The execution, delivery and performance by the Company of this Amendment (i) have been duly authorized by all necessary corporate and other action and (ii) do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable.

(b) This Amendment and the Loan Documents, as amended by this Amendment, constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, without defense, counterclaim or offset.

2

4. Amendment Effective Date. This Amendment will become effective as of the date on which the Agent has received from each of the Company and the Majority Banks an executed counterpart of this Amendment. The Agent shall notify the Company and the Banks upon the effectiveness of this Amendment.

5. Miscellaneous.

(a) Credit Agreement Otherwise Not Affected. Except as expressly amended pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks', the Agent's, the Syndication Agent's and the Documentation Agent's execution and delivery of, or acceptance of, this Amendment shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(b) No Reliance. The Company hereby acknowledges and confirms to the Agent, the Syndication Agent, the Documentation Agent and the Banks that the Company is executing this Amendment on the basis of its own investigations and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of the Agent, the Syndication Agent, the Documentation Agent, any Bank or any other Person.

(c) Amendments and Waivers. The provisions of this Amendment may only be amended or waived, and any consent with respect to any departure by the Company therefrom may only be granted, in accordance with the terms of Section 10.01 of the Credit Agreement.

(d) Costs and Expenses. The Company shall, whether or not the amendments contemplated hereby shall become effective, pay or reimburse the Agent, within five Business Days after demand, for all costs and expenses incurred by the Agent in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to, this Amendment and the consummation of the transactions contemplated hereby and thereby, including the Attorney Costs incurred by the Agent with respect thereto.

(e) Successors and Assigns. The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Counterparts. This Amendment may be executed by one or more of the parties to this Amendment in any number of separate counterparts, each of

which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. The parties hereto agree that the Agent and the Company may accept and rely on facsimile transmissions of executed signature pages of this Amendment.

(g) Severability. The illegality or unenforceability of any

provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect

3

or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(h) No Third Parties Benefited. This Amendment is made and

entered into for the sole protection and legal benefit of the Company, the Syndication Agent, the Documentation Agent, the Banks and the Agent, and their successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment. Each of the Agent, the Syndication Agent, the Documentation Agent and the Banks shall not have any obligation to any Person not a party to this Amendment.

(i) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(j) Entire Agreement. This Amendment embodies the entire

agreement and understanding among the Company, the Banks, the Syndication Agent, the Documentation Agent and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

(k) Interpretation. This Amendment is the result of negotiations

between and has been reviewed by counsel to the Agent, the Company and other parties, and is the product of all parties hereto. Accordingly, this Amendment shall not be construed against the Banks, the Syndication Agent, the Documentation Agent or the Agent merely because of the Agent's or such other Person's involvement in the preparation of such documents and agreements.

[Signature pages follow]

4

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California, by their proper and duly authorized officers as of the day and year first above written.

THE COMPANY

ADVANCED MICRO DEVICES, INC.

By: /s/ Francis P. Barton

Title: Chief Financial Officer

THE AGENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as
Administrative Agent

By: /s/ Lilliana Claar

Title: Vice President

THE SYNDICATION AGENT

ABN AMRO BANK N.V., as Syndication Agent

By: /s/ Richard R. DaCosta

Title: Vice President

By: /s/ Nanci H. Meyer

Title: Vice President

5

THE DOCUMENTATION AGENT

CANADIAN IMPERIAL BANK OF
COMMERCE, as Documentation Agent

By: _____

Title: _____

THE BANKS

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as a Bank

By: /s/ Roger J. Fleischman

Title: Managing Director

ABN AMRO BANK N.V., as a Bank

By: /s/ Richard R. DaCosta

Title: Vice President

By: /s/ Nanci H. Meyer

Title: Vice President

6

CANADIAN IMPERIAL BANK OF
COMMERCE, as a Bank

By: _____

Title: _____

BANKBOSTON, N.A.

By: /s/ John B. Desmond

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Chris Osborn

Title: Relationship Manager

BANQUE PARIBAS

By: _____

Title: _____

By: _____

Title: _____

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ Andreas Panteli

Title: SVP

7

FLEET NATIONAL BANK

By: /s/ Matt Glauning

Title: SVP

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By: /s/ Kensaku Iwata

Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Mary K. Young

Title: Assistant Vice President

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED

By: /s/ Noboru Akahane

Title: Deputy General Manager

NORWEST BANK MINNESOTA, NATIONAL
ASSOCIATION

By: /s/ Douglas A. Lindstrom

Title: Assistant Vice President

8

ROYAL BANK OF CANADA

By: _____

Title: _____

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Glenn Leyrer

Title: Vice President

9

Supplemental Agreement No. 2
to
Syndicated Loan Agreement of March 11, 1997

between

1. AMD Saxony Manufacturing GmbH, Dresden, registered with the Commercial Register at the Dresden Local Court under HRB 13186

- hereinafter "AMD Saxonia" -
 2. Dresdner Bank AG
 3. the banks and financial institutions referred to on the signature page of this Supplemental Agreement

- hereinafter also referred to,
together with Dresdner Bank AG, as
the "Banks", or each a "Bank" -
- and
4. Dresdner Bank Luxembourg S.A.

- hereinafter "Agent" -

PREAMBLE

1. On March 11, 1997, AMD Saxonia, Dresdner Bank AG, the other Banks and the Agent (the latter at such time in its capacity as "Paying Agent" only) have entered into a Syndicated Loan Agreement (hereinafter "Loan Agreement") in a total loan amount of DM 1,650,000,000.--for the partial financing of the Project Costs defined in more detail in the Loan Agreement. The Agent has been appointed as such on June 1, 1997.
2. Due to significant technological changes and consequential increased financing needs, the financing obligations of AMD Holding and AMD Inc. agreed in connection with the Loan Agreement and certain other provisions of the Loan Agreement and related documents have been amended on February 6, 1998 within the framework of Supplemental Agreements to the Loan Agreement and the Operative Documents referred to therein.
3. In the Supplemental Agreement of February 6, 1998, AMD Inc. and AMD Holding undertook, due to restrictions agreed in the AMD Inc. Senior Secured Note Indenture (as defined in the Sponsors' Support Agreement), to provide AMD Saxonia by June 30, 1999 with the funds to be made available under the Class C Sponsors' Loans (as defined in the Sponsors' Support Agreement) from funds received by AMD Inc. on the basis of a stock offering in an amount of at least USD 200 million. Recent amendments to the AMD Inc. Senior Secured Note Indenture will permit AMD Inc. to fund the Class C Sponsors' Loans without undertaking a stock offering as described in the previous sentence. The Banks are prepared to waive the requirement of funding the Class C Sponsors' Loans from funds received from the proceeds of a stock offering of AMD Inc., and to amend the relevant provisions of the Sponsors' Support Agreement and the Sponsors' Loan Agreement accordingly.
4. The Banks have further agreed with AMD Inc., AMD Holding and AMD Saxonia that a new Management Plan and a new Project Budget shall be agreed.

It is hereby agreed as follows:

(S)1
Definitions

Terms and expressions defined in the Loan Agreement (as amended by the Supplemental Agreement dated February 6, 1998) shall have the same meaning when used in this Supplemental Agreement No. 2.

(S)2
Amendments to the Loan Agreement

- 2.1 The amendments referred to in Sec. 3 of the Preamble shall be agreed in a Second Amendment to Sponsors' Support Agreement and a Second Amendment to Sponsors' Loan Agreement of event date herewith in the forms attached hereto as Annexes 3 and 4. References to the Sponsors' Support Agreement and the Sponsors' Loan Agreement shall in the future be construed so as to

refer to these Operative Documents in the form as so amended.

2.2 The current Management Plan (in the form of Schedule 4 of the Supplemental Agreement to the Loan Agreement of February 6, 1998) shall be replaced by the document attached hereto as Annex 1.

2

2.3 The current Project Budget (in the form of Schedule 3 of the Supplemental Agreement to the Loan Agreement of February 6, 1998) shall be replaced by the document attached hereto as Annex 2.

In all other respects, the provisions of the Loan Agreement shall continue in full force and effect.

(S)3
Condition Precedent

This Supplemental Agreement No. 2 shall come into effect upon execution of the agreements referred to in Sec. 2.1 hereof in legally binding form.

(S)4
Miscellaneous Provisions

4.1 This Supplemental Agreement No. 2 forms part of the Loan Agreement. All references in the Loan Agreement and in the Operative Documents, and all statements relating thereto, shall apply in the same manner to this Supplemental Agreement No. 2.

4.2 This Supplemental Agreement No. 2 and all documents referred to herein shall be deemed to be Operative Documents within the meaning of the Loan Agreement.

Frankfurt am Main, this ___ day of May 1999

AMD SAXONY MANUFACTURING GMBH

/s/ Francis P. Barton

/s/ Jack L. Saltich

DRESDNER BANK AG

(as Security Agent and lending Bank)

/s/ Horst Oechsler

/s/ Marcus Nelgen

DRESDNER BANK LUXEMBOURG S.A.
(as Agent, Paying Agent, and for the other Banks)

/s/ J. Sohlin

[an authorized signatory]

3

Annex 1 Management Plan

Annex 2 Project Budget

Annex 3 Second Amendment to

Sponsors' Support Agreement

Annex 4 Second Amendment to

Sponsors' Loan Agreement

4

SECOND AMENDMENT

TO

SPONSORS' SUPPORT AGREEMENT

THIS SECOND AMENDMENT (this "Amendment"), dated June 29, 1999, is made between

ADVANCED MICRO DEVICES, INC., a corporation organized and existing under the laws of the State of Delaware, United States of America, with its chief executive office and principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."), AMD SAXONY HOLDING

GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding"; and, together with AMD Inc., collectively, the

"Sponsors"), DRESDNER BANK LUXEMBOURG S.A., as Agent (and successor to Dresdner

Bank AG ("Dresdner") in such capacity) under the Loan Agreement referred to

below (in such capacity, the "Agent") for the Banks referred to below, and

DRESDNER, as Security Agent under such Loan Agreement (in such capacity, the

"Security Agent"), for the Secured Parties referred to below.

W I T N E S S E T H:

WHEREAS, AMD Saxony Manufacturing GmbH, Dresden, registered in the Commercial Register of the Dresden Country Court HRB 13186 ("AMD Saxonia"), a wholly-owned

Subsidiary (such and other capitalized terms being used in this Amendment with the meanings set out in Section 1.1 of this Amendment) of AMD Holding, which is,

in turn, a wholly-owned Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, inter alia, (i) AMD Saxonia has entered into the Loan Agreement (as defined below) providing, inter alia, for two separate senior secured term and standby facilities aggregating up to DM 1,650,000,000 (one billion six hundred fifty million Deutsche Marks), and (ii) the Sponsors, the Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997, as amended by the First Amendment to Sponsors' Support Agreement dated February 6, 1998 (as amended, the "Sponsors' Support Agreement") providing (x) certain assurances to the Agent and

Security Agent with respect to the completion of the Project, and (y) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, AMD Saxonia wishes, with the consent of the Sponsors to, among other things, replace the current Approved Project Budget with a revised Project Budget, which shall henceforth become the Approved Project Budget;

WHEREAS, the Sponsors wish to revise the provisions in the Sponsors' Support Agreement relating to the \$70 million Class C Sponsors' Loan to reflect recent amendments to the AMD Inc. Senior Secured Note Indenture, which amendments will permit funding of the Class C

Sponsors' Loan without requiring compliance with the earnings test set forth in the "Restricted Payments" covenant of the AMD Inc. Senior Secured Note Indenture;

WHEREAS, the Sponsors, the Agent and the Security Agent desire to amend and supplement the Sponsors' Support Agreement on the terms and subject to the conditions of this Amendment; and

WHEREAS, concurrently herewith, the relevant parties are also amending the Sponsors' Loan Agreement dated 11 March 1997 among AMD Saxonia, AMD Holding and AMD Inc., as amended by the First Amendment to Sponsors' Loan Agreement dated February 6, 1998 and the Syndicated Loan Agreement dated 11 March 1997 among AMD Saxonia, the Agent, the Security Agent, and the banks party thereto, as amended by the Supplemental Agreement to Loan Agreement dated February 6, 1998 (as amended, the "Loan Agreement").

NOW, THEREFORE, the Sponsors, the Agent (for itself and on behalf of the Banks), and the Security Agent (on behalf of the Secured Parties), agree as follows:

ARTICLE I

Definitions

SECTION 1.1 Definitions. Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the Sponsors' Support Agreement.

SECTION 1.2 Construction. In this Amendment, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Support Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II

Amendments

SECTION 2.1 The Sponsors' Support Agreement will be amended as more particularly set out below. In all other respects, the Sponsors' Support Agreement shall continue in full force and effect.

(i) In Section 1.1, the following changes shall be made:

(a) the following definitions shall be replaced as follows:

- (1) "AMD Inc. Senior Secured Note Indenture" means that certain

Indenture, dated as of August 1, 1996, between AMD Inc. and United States Trust Company of New York, as trustee, relating to the issuance by AMD Inc. of \$400,000,000 (four hundred million Dollars) of its 11% Senior Secured Notes due 2003, as amended by the First Supplemental Indenture dated as of January 13, 1999 and by the Second Supplemental Indenture dated as of April 8, 1999."
- (2) "Contribution Date" means 30 June 1999."

2

(ii) Section 3.4 shall be replaced as follows:

"SECTION 3.4 Time of Class C Sponsors' Loans. The Class C Sponsors' Loans will be made in cash and in Same Day Funds and will be made in full, pursuant to

Section 4.07 of the AMD Inc. Senior Secured Note Indenture, without

utilizing any of the provisions contained in the first proviso to Section

4.07(iv) thereof, by the Contribution Date at the latest."

ARTICLE III
Revised Budget

The parties hereto confirm that the Project Budget attached as Exhibit I hereto

is, the "Approved Project Budget" for all purposes of the Sponsors' Support Agreement until such time as there is another Approved Project Budget in accordance with the terms of the Sponsors' Support Agreement.

ARTICLE IV
Miscellaneous

SECTION 4.1 Representations and Warranties. Each of the Sponsors hereby represents and warrants that:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the Sponsors' Support Agreement, as amended hereby;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligations under the Sponsors' Support Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of

the properties now owned or hereafter acquired by it, and

- (c) Valid and Binding Obligations. The Sponsors' Support Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 4.2 Repetition of Representation and Warranties. The representations and warranties contained in Sections 12.1 and 12.2 of the Sponsors' Support Agreement shall be

3

repeated on the date hereof except to the extent any such representation and warranty expressly relates solely to an earlier date.

SECTION 4.3 Miscellaneous.

- (a) This Amendment is limited as specified and, except as expressly herein provided, shall not constitute a modification, amendment or waiver of any other provision of the Sponsors' Support Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the Sponsors' Support Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) The form and execution of this Amendment and all rights and obligations of the parties arising hereunder shall be governed by the laws of the Federal Republic of Germany.
- (d) This Amendment has been executed in the English language.
- (e) This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder of page intentionally left blank]

4

IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorized as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By /s/ Francis P. Barton

Francis P. Barton

Its Senior Vice President,
Chief Financial Officer

AMD SAXONY HOLDING GMBH

By /s/ Jack L. Saltich

Its Managing Director

DRESDNER BANK LUXEMBOURG S.A.,

as Agent

/s/ J. Sohlin

/s/ A. Prellwitz

DRESDNER BANK A.G., as Security Agent

/s/ Horst Oechsler

/s/ Marcus Nelgen

SECOND AMENDMENT

TO

SPONSORS' LOAN AGREEMENT

THIS SECOND AMENDMENT (this "Amendment"), dated June 25, 1999, is made between

ADVANCED MICRO DEVICES, INC., a corporation organised and existing under the laws of the State of Delaware, United States of America, with its chief executive office and principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."), AMD SAXONY HOLDING

GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding"; and, together with AMD Inc., collectively, the

"Sponsors"), and AMD SAXONY MANUFACTURING GMBH, Dresden, registered in Commercial Register of the Dresden County Court HRB 13186 ("AMD Saxonia").

W I T N E S S E T H:

WHEREAS, AMD Saxonia, a wholly-owned Subsidiary (such and other capitalized terms being used in this Amendment with the meanings set out in Section 1.1 of

this Amendment) of AMD Holding, which is, in turn, a wholly-owned Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, inter alia, (i) AMD

Saxonia has entered into the Loan Agreement (as defined below) providing, inter alia, for two separate senior secured term and standby facilities aggregating up to DM 1,650,000,000 (one billion six hundred fifty million Deutsche Marks), and (ii) the Sponsors, the Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997, as amended by the First Amendment to Sponsors' Support Agreement dated February 6, 1998 (as amended, the "Sponsors' Support Agreement") providing (x) certain assurances to the Agent and

Security Agent with respect to the completion of the Project, and (y) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, AMD Saxonia wishes to, among other things, replace the current Approved Project Budget with a revised Project Budget, which shall henceforth become the Approved Project Budget;

WHEREAS, the Sponsors wish to revise the provisions in the Sponsors' Loan Agreement (as defined below) relating to the \$70 million Class C Sponsors' Loan to reflect recent amendments to the AMD Inc. Senior Secured Note Indenture, which amendments will permit funding of the Class C Sponsors' Loan without requiring compliance with the earnings test set forth in the "Restricted Payments" covenant of the AMD Inc. Senior Secured Note Indenture;

WHEREAS, the Sponsors and AMD Saxonia desire to amend and supplement the Sponsors' Loan Agreement dated 11 March 1997, as amended by the First Amendment to Sponsors' Loan Agreement dated February 6, 1998 (as amended, the "Sponsors'

Loan Agreement") between the Sponsors and AMD Saxonia on the terms and subject

to the conditions of this Amendment; and

WHEREAS, concurrently herewith, the relevant parties are also amending the Sponsors' Support Agreement and the Syndicated Loan Agreement dated 11 March 1997 among AMD Saxonia, Dresdner Bank Luxembourg S.A. as Agent (successor-in-interest to Dresdner Bank AG) and Paying Agent, Dresdner Bank AG as Security Agent, and the banks party thereto, as amended by the Supplemental Agreement to Loan Agreement dated February 6, 1998 (as amended, the "Loan Agreement").

NOW, THEREFORE, the Sponsors and AMD Saxonia agree as follows:

ARTICLE I

Definitions

SECTION 1.1 Definitions. Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the Sponsors' Loan Agreement or, if not there defined, in the Sponsors' Support Agreement.

SECTION 1.2 Construction. In this Amendment, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Loan Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II

Amendments

SECTION 2.1 The Sponsors' Loan Agreement shall be amended as more particularly set out below. In all other respects, the Sponsors' Loan Agreement shall remain in full force and effect.

(i) In Section 1.1 (Definitions), the following definition of "Contribution Date" shall be replaced as follows:

(a) "Contribution Date" means 30 June 1999.

(ii) Section 2.4 shall be replaced as follows:

"SECTION 2.4 Time of Class C Sponsors' Loans. The Class C Sponsors' Loans will be made in cash and in Same Day Funds and will be made in full, pursuant to

Section 4.07 of the AMD Inc. Senior Secured Note Indenture, without

utilizing any of the provisions contained in the first proviso to Section

4.07(iv) thereof, by the Contribution Date at the latest."

ARTICLE III

Miscellaneous

SECTION 3.1 Representations and Warranties. Each of the Sponsors and AMD Saxonia hereby represents and warrants that:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the Sponsors' Loan Agreement, as amended hereby;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligation under the Sponsors' Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The Sponsors' Loan Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 3.2 Miscellaneous.

- (a) This Amendment is limited as specified and shall not constitute a modification, amendment or waiver of any other provision of the Sponsors' Loan Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the Sponsors' Loan Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) Sections 7.1, 7.2, 7.3 and 7.4 of the Sponsors' Loan Agreement shall apply,

mutatis mutandis, to this Amendment, as if set out herein in full.

(d) This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

3

IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorised as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By /s/ Francis P. Barton

Francis P. Barton

Its Senior Vice President
Chief Financial Officer

AMD SAXONY HOLDING GMBH

By /s/ Jack L. Saltich

Its Managing Director

AMD SAXONY MANUFACTURING GMBH

By /s/ Jack L. Saltich

Its Managing Director

4

LOAN AND SECURITY AGREEMENT

Dated as of July 13, 1999

Among

THE FINANCIAL INSTITUTIONS NAMED HEREIN

as the Lenders,

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

as the Agent

and

ADVANCED MICRO DEVICES, INC., and

AMD INTERNATIONAL SALES AND SERVICE, LTD.,

collectively, as the Borrower

Arranged by

BANC OF AMERICA SECURITIES, LLC

as Sole Lead Arranger and Sole Book Runner

TABLE OF CONTENTS

<TABLE>
<CAPTION>
Section

-----	Page
<C>	<C>
ARTICLE 1 INTERPRETATION OF THIS AGREEMENT.....	1
1.1 Definitions.....	1
1.2 Accounting Terms; UCC Terms.....	25
1.3 Interpretive Provisions.....	25
ARTICLE 2 LOANS AND LETTERS OF CREDIT.....	26
2.1 Revolving Facility.....	26
2.2 Revolving Loans.....	26
2.3 Bank Products.....	34
2.4 Letters of Credit.....	35
ARTICLE 3 INTEREST AND FEES.....	41
3.1 Interest.....	41
3.2 Conversion and Continuation Elections.....	42
3.3 Maximum Interest Rate.....	43
3.4 Arrangement Fee.....	44
3.5 Unused Line Fee.....	44
3.6 Letter of Credit Fee.....	44
ARTICLE 4 PAYMENTS AND PREPAYMENTS.....	44
4.1 Revolving Loans.....	44
4.2 Termination of Facility.....	45
4.3 Payments by the Borrower.....	45
4.4 Payments as Revolving Loans.....	46
4.5 Apportionment, Application and Reversal of Payments.....	46
4.6 Indemnity for Returned Payments.....	47
4.7 Agent's and Lenders' Books and Records; Monthly Statements.....	47
ARTICLE 5 TAXES, YIELD PROTECTION AND ILLEGALITY.....	48
5.1 Taxes.....	48

5.2	Illegality.....	49
5.3	Increased Costs and Reduction of Return.....	49
5.4	Funding Losses.....	50
5.5	Inability to Determine Rates.....	50
5.6	Certificates of Lenders.....	50
5.7	Survival.....	50

</TABLE>

<TABLE> <CAPTION> Section		Page
-----		-----
<S>	<C>	<C>
ARTICLE 6	COLLATERAL.....	51
6.1	Grant of Security Interest.....	51
6.2	Perfection and Protection of Security Interest.....	52
6.3	Location of Collateral.....	53
6.4	Title to, Liens on, and Sale and Use of Collateral.....	53
6.5	Appraisals.....	54
6.6	Access and Examination; Confidentiality.....	54
6.7	Collateral Reporting.....	55
6.8	Accounts.....	56
6.9	Collection of Accounts; Payments.....	57
6.10	Inventory; Perpetual Inventory.....	58
6.11	Documents, Instruments, and Chattel Paper.....	58
6.12	Right to Cure.....	59
6.13	Power of Attorney.....	59
6.14	The Agent's and Lenders' Rights, Duties and Liabilities.....	59
ARTICLE 7	BOOKS AND RECORDS; FINANCIAL INFORMATION; NOTICES.....	60
7.1	Books and Records.....	60
7.2	Financial Information.....	60
7.3	Notices to the Lenders.....	62
ARTICLE 8	GENERAL WARRANTIES AND REPRESENTATIONS.....	65
8.1	Authorization, Validity, and Enforceability of this Agreement and the Loan Documents...	65
8.2	Validity and Priority of Security Interest.....	65
8.3	Organization and Qualification.....	65
8.4	Corporate Name; Prior Transactions.....	65
8.5	Subsidiaries and Affiliates.....	65
8.6	Financial Statements and Projections.....	66
8.7	Solvency.....	66
8.8	Debt.....	66
8.9	Distributions.....	66
8.10	Title to Property.....	66
8.11	Trade Names.....	66
8.12	Litigation.....	67
8.13	Restrictive Agreements.....	67
8.14	Labor Disputes.....	67
8.15	Environmental Laws.....	67
8.16	No Violation of Law.....	68
8.17	No Default.....	68

</TABLE>

<TABLE> <CAPTION> Section		Page
-----		-----
<S>	<C>	<C>
8.18	ERISA Compliance.....	68
8.19	Taxes.....	69
8.20	Regulated Entities.....	69
8.21	Use of Proceeds; Margin Regulations.....	69
8.22	Copyrights, Patents, Trademarks and Licenses, etc.....	69
8.23	No Material Adverse Change.....	69
8.24	Full Disclosure.....	70
8.25	Governmental Authorization.....	70
8.26	Insurance.....	70
ARTICLE 9	AFFIRMATIVE AND NEGATIVE COVENANTS.....	70
9.1	Taxes and Other Obligations.....	70
9.2	Corporate Existence and Good Standing.....	71
9.3	Compliance with Law and Agreements; Maintenance of Licenses.....	71
9.4	Maintenance of Property.....	71
9.5	Insurance.....	71
9.6	Environmental Laws.....	72
9.7	Compliance with ERISA.....	72
9.8	Mergers, Consolidations or Sales.....	72
9.9	Distributions; Capital Change; Restricted Investments.....	73

9.10	Transactions Affecting Collateral or Obligations.....	74
9.11	Guaranties.....	74
9.12	Debt.....	74
9.13	Prepayment.....	74
9.14	Transactions with Affiliates.....	74
9.15	Investment Banking and Finder's Fees.....	75
9.16	Business Conducted.....	75
9.17	Liens.....	75
9.18	Fiscal Year.....	76
9.19	Adjusted Tangible Net Worth.....	76
9.20	EBITDA.....	76
9.21	Use of Proceeds.....	77
9.22	Further Assurances.....	77
ARTICLE 10	CONDITIONS PRECEDENT.....	78
10.1	Conditions to Effectiveness.....	78
10.2	Conditions of Initial Loans.....	79
10.3	Conditions Precedent to Each Loan.....	81
ARTICLE 11	DEFAULT; REMEDIES.....	82

iii

<TABLE> <CAPTION> Section		Page
-----		----
<C>	<S>	<C>
11.1	Events of Default.....	82
11.2	Remedies.....	85
ARTICLE 12	TERM AND TERMINATION.....	86
12.1	Term and Termination.....	86
ARTICLE 13	AMENDMENTS; WAIVER; PARTICIPATIONS; ASSIGNMENTS; SUCCESSORS.....	87
13.1	No Waivers; Cumulative Remedies.....	87
13.2	Amendments and Waivers.....	87
13.3	Assignments; Participations.....	88
ARTICLE 14	THE AGENT.....	90
14.1	Appointment and Authorization.....	90
14.2	Delegation of Duties.....	90
14.3	Liability of Agent.....	91
14.4	Reliance by Agent.....	91
14.5	Notice of Default.....	91
14.6	Credit Decision.....	92
14.7	Indemnification.....	92
14.8	Agent in Individual Capacity.....	92
14.9	Successor Agent.....	93
14.10	Withholding Tax.....	93
14.11	Collateral Matters.....	94
14.12	Restrictions on Actions by Lenders; Sharing of Payments.....	95
14.13	Agency for Perfection.....	96
14.14	Payments by Agent to Lenders.....	96
14.15	Concerning the Collateral and the Related Loan Documents.....	96
14.16	Field Audit and Examination Reports; Disclaimer by Lenders.....	97
14.17	Relation Among Lenders.....	97
ARTICLE 15	MISCELLANEOUS.....	97
15.1	Cumulative Remedies; No Prior Recourse to Collateral.....	97
15.2	Severability.....	98
15.3	Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.....	98
15.4	WAIVER OF JURY TRIAL.....	99
15.5	Survival of Representations and Warranties.....	99
15.6	Other Security and Guaranties.....	99
15.7	Fees and Expenses.....	100
15.8	Notices.....	100

iv

<TABLE> <CAPTION> Section		Page
-----		----
<C>	<S>	<C>
15.9	Waiver of Notices.....	101
15.10	Binding Effect.....	101
15.11	Indemnity of the Agent and the Lenders by the Borrower.....	102

15.12	Limitation of Liability.....	102
15.13	Final Agreement.....	102
15.14	Counterparts.....	102
15.15	Captions.....	103
15.16	Right of Setoff.....	103
15.17	Joint and Several Liability.....	103
15.18	Contribution and Indemnification among the Borrowers.....	104
15.19	Agency of the Parent for each other Borrower.....	105
15.20	Priority of Obligations.....	105

</TABLE>

v

EXHIBITS AND SCHEDULES

- EXHIBIT A - FORM OF BORROWING BASE CERTIFICATE
- EXHIBIT B - FORM OF NOTICE OF BORROWING
- EXHIBIT C - FORM OF NOTICE OF CONVERSION/CONTINUATION
- EXHIBIT D - FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT
- SCHEDULE 1.1(a) - APPROVED DISTRIBUTORS
- SCHEDULE 1.1(b) - ELIGIBLE FOREIGN ACCOUNT DEBTORS
- SCHEDULE 6.3 - BORROWER FACILITIES
- SCHEDULE 8.3 - ORGANIZATION AND QUALIFICATIONS
- SCHEDULE 8.5 - SUBSIDIARIES
- SCHEDULE 8.8 - DEBT
- SCHEDULE 8.11 - TRADE NAMES
- SCHEDULE 8.12 - LITIGATION
- SCHEDULE 8.15 - ENVIRONMENTAL LAW
- SCHEDULE 8.22 - INTELLECTUAL PROPERTY
- SCHEDULE 9.11 - GUARANTIES

-1-

LOAN AND SECURITY AGREEMENT

Loan and Security Agreement, dated as of July 13, 1999, among the financial institutions listed on the signature pages hereof (such financial institutions, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), Bank of America National Trust and Savings Association ("the Bank") with an office at 55 South Lake, Suite 900, Pasadena, CA 91101, as agent for the Lenders (in its capacity as agent, the "Agent"), and Advanced Micro Devices, Inc. (the "Parent"), a Delaware corporation, with offices at One AMD Place, Sunnyvale, CA 94088 and AMD International Sales and Service, Ltd. ("AMDISS"), a Delaware corporation, as co-borrowers (individually and collectively, the "Borrower").

W I T N E S S E T H

WHEREAS, the Borrower has requested the Lenders to make available to the Borrower a revolving line of credit for loans and letters of credit in an amount not to exceed in the aggregate \$200,000,000 and which extensions of credit the Borrower will use for its working capital needs and general business purposes;

WHEREAS, the Lenders have agreed to make available to the Borrower a revolving credit facility upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Lenders, the Agent, and the Borrower hereby agree as follows.

ARTICLE 1

INTERPRETATION OF THIS AGREEMENT

.1 Definitions. As used herein:

"Accounts" means, in respect of each Borrower, all of such Borrower's

now owned or hereafter acquired or arising accounts, and any other rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance.

"Account Debtor" means each Person obligated in any way on or in

connection with an Account.

"ACH Transactions" means any cash management or related services

including the automatic clearing house transfer of funds by the Agent for the account of the Borrower pursuant to agreement or overdrafts.

"Adjusted Net Earnings from Operations" means, with respect to any

fiscal period of the Parent, the Parent's net income after provision for income taxes for such fiscal period, as

-1-

determined on a consolidated basis in accordance with GAAP and reported on the Financial Statements for such period, excluding any and all of the following included in such net income: (a) gain arising from the sale of any capital assets; (b) gain arising from any write-up in the book value of any asset; (c) earnings of any Person, substantially all the assets of which have been acquired by the Parent or any Subsidiary in any manner, to the extent realized by such other Person prior to the date of acquisition; (d) earnings of any Person in which the Parent or any Subsidiary has an ownership interest unless (and only to the extent) such earnings shall actually have been received by the Parent or any such Subsidiary in the form of cash distributions; (e) earnings of any Person to which assets of the Parent or any Subsidiary shall have been sold, transferred or disposed of, or into which the Parent or any Subsidiary shall have been merged, or which has been a party with the Parent or any Subsidiary to any consolidation or other form of reorganization, prior to the date of such transaction; (f) gain arising from the acquisition of debt or equity securities of the Parent or any Subsidiary or from cancellation or forgiveness of Debt; (g) gain arising from extraordinary items, as determined in accordance with GAAP, or from any other non-recurring transaction; (h) interest income; and (i) non-cash restructuring charges.

"Adjusted Tangible Assets" means all of the Parent's assets,

determined on a consolidated basis in accordance with GAAP, except: (a) deferred assets, other than prepaid insurance and prepaid taxes; (b) patents, copyrights, trademarks, trade names, franchises, goodwill, and other similar intangibles; (c) unamortized debt discount and expense; (d) assets of the Parent or any Subsidiary constituting Intercompany Accounts; and (e) fixed assets to the extent of any write-up in the book value thereof resulting from a revaluation effective after the Closing Date.

"Adjusted Tangible Net Worth" means, at any date: (a) the book value

(after deducting related depreciation, obsolescence, amortization, valuation, and other proper reserves as determined in accordance with GAAP) at which the Adjusted Tangible Assets would be shown on a balance sheet of the Parent at such date prepared on a consolidated basis in accordance with GAAP less (b) the amount at which the Parent's liabilities would be shown on such consolidated balance sheet, including as liabilities all reserves for contingencies and other potential liabilities which would be required to be shown on such balance sheet.

"Affiliate" means, as to any Person, any other Person which, directly

or indirectly, is in control of, is controlled by, or is under common control with, such Person or which owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agent" means the Bank, solely in its capacity as agent for the

Lenders, and any successor agent.

"Agent Advances" has the meaning specified in Section 2.2(i).

-2-

"Agent's Liens" means the Liens in the Collateral granted to the Agent, for the benefit of the Lenders, Bank, and Agent pursuant to this Agreement and the other Loan Documents.

"Agent-Related Persons" means the Agent, together with its Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of the Agent and such Affiliates.

"Aggregate Revolver Outstandings" means, at any time: the sum of (a) the unpaid balance of Revolving Loans, and (b) the aggregate amount of Pending Revolving Loans, (c) one hundred percent (100%) of the aggregate undrawn face amount of all outstanding Letters of Credit, and (d) the aggregate amount of any unpaid reimbursement obligations in respect of Letters of Credit.

"Agreement" means this Loan and Security Agreement.

"Anniversary Date" means each anniversary of the Closing Date.

"Applicable Fee Amount" means, with respect to the Unused Line Fee payable hereunder, the amount per annum set forth below opposite the applicable Level below the heading "Unused Line Fee" and, with respect to the Letter of Credit Fee, the amount per annum set forth opposite the applicable Level below the heading "Letter of Credit Fee". The Applicable Fee Amount for any calendar month shall be based on the Average Loan to Availability Ratio for such calendar month.

Level	Loan to Availability Ratio	Unused Line Fee	Letter of Credit Fee
1	Greater than or equal to 0% but less than 20%	0.25%	1.50%
2	Greater than or equal to 20% but less than 40%	0.25%	1.625%
3	Greater than or equal to 40% but less than 60%	0.375%	1.875%
4	Greater than or equal to 60%	0.375%	2.125%

"Applicable Margin" means, with respect to Base Rate Loans and LIBOR Rate Loans, the amount set forth below opposite the applicable Level below the heading "Base Rate Spread," or "LIBOR Rate Spread". The Applicable Margin for any calendar month shall be based on the Average Loan to Availability Ratio for such calendar month.

Level	Loan to Availability Ratio	Base Rate Spread	LIBOR Rate Spread
1	Greater than 0% but less than 20%	0%	1.50%
2	Greater than or equal to 20% but less than 40%	0%	1.625%
3	Greater than or equal to 40% but less than 60%	0.25%	1.875%
4	Greater than or equal to 60%	0.25%	2.125%

"Approved Distributor" means any distributor identified on Schedule

1.1(a), as such Schedule may from time to time be amended by the Borrower with

the written consent of the Agent.

"Arrangement Fee" has the meaning specified in Section 3.4.

"Assignee" has the meaning specified in Section 13.3(a).

"Assignment and Acceptance" has the meaning specified in Section

13.3(a).

"Attorney Costs" means and includes all fees, expenses and

disbursements of any law firm or other counsel engaged by the Agent.

"Availability" means, at any time, (a) the Borrowing Base minus (b)

the Aggregate Revolver Outstandings.

"Average Loan to Availability Ratio" means, for any calendar month,

the quotient obtained by dividing (a) the total sum of the Loan to Availability
Ratios as of the close of business on each day during such calendar month on
which Revolving Loans or Letters of Credit were outstanding hereunder by (b) the
number of days during such calendar month that Revolving Loans or Letters of
Credit were outstanding hereunder.

"Bank" means Bank of America National Trust and Savings Association, a

national banking association, or any successor entity thereto.

"Bank Products" means any one or more of the following types of

services or facilities extended to the Borrower by the Bank or any Affiliate of
the Bank in reliance on the Bank's agreement to indemnify such Affiliate which
are requested by the Borrower pursuant to

-4-

this Agreement: (i) credit cards; (ii) ACH Transactions; (iii) Rate Protection
Arrangements; and (iv) foreign exchange contracts.

"Bank Product Reserves" means all reserves which the Agent from time

to time establishes in its reasonable discretion for the Bank Products then
provided and outstanding.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C.

(S) 101 et seq.).
-- ----

"Base Rate" means, for any day, the rate of interest in effect for

such day as publicly announced from time to time by the Bank as its "reference
rate" (the "reference rate" being a rate set by the Bank based upon various
factors including the Bank's costs and desired return, general economic
conditions and other factors, and is used as a prime point for pricing some
loans, which may be priced at, above, or below such announced rate). Any change
in the reference rate announced by the Bank shall take effect at the opening of
business on the day specified in the public announcement of such change. Each
Interest Rate based upon the Base Rate shall be adjusted simultaneously with any
change in the Base Rate.

"Base Rate Loan" means a Revolving Loan during any period in which it

bears interest based on the Base Rate.

"Blocked Account Agreement" means an agreement among the Borrower, the

Agent and a Clearing Bank, in form and substance satisfactory to the Agent,
concerning the collection of payments which represent the proceeds of Accounts
or of any other Collateral.

"Borrowing" means a borrowing hereunder consisting of Revolving Loans

made on the same day by the Lenders to the Borrower (or by the Bank in the case
of a Borrowing funded by Non-Ratable Loans) or by the Agent in the case of a
Borrowing consisting of an Agent Advance.

"Borrowing Base" means, at any time, an amount equal to (a) the lesser

of (i) the Maximum Revolver Amount or (ii) the sum of (A) eighty-five percent (85%) of the Net Amount of Eligible Accounts of the Parent and AMDISS payable by original equipment manufacturers plus (B) fifty percent (50%) of the Net Amount

of Eligible Accounts of the Parent and AMDISS payable by distributors (such Accounts, the "Distributor Accounts") plus (C) the lesser of (1) \$10,000,000 and

(2) fifty percent (50%) of the Eligible Other Foreign Accounts of AMDISS; minus

(b) the sum of (i) reserves for accrued interest on the Obligations, (ii) the Bank Product Reserve, if any, and (iii) all dilution (including dilution projected or anticipated by the Agent in the exercise of its reasonable commercial discretion with respect to any deferred revenue related to the Distributor Accounts) and other reserves which the Agent deems necessary in the exercise of its reasonable commercial discretion to maintain with respect to the Borrower's account, including reserves for any amounts which the Agent or any Lender may be obligated to pay in the future for the account of the Borrower.

"Borrowing Base Certificate" means a certificate by a Responsible

Officer of the Parent, substantially in the form of Exhibit A (or another form acceptable to the Agent) setting

-5-

forth the calculation of the Borrowing Base, including a calculation of each component thereof, as of the close of business no more than five (5) Business Days prior to the date of such certificate, all in such detail as shall be reasonably satisfactory to the Agent. All calculations of the Borrowing Base in connection with the preparation of any Borrowing Base Certificate shall originally be made by the Borrower and certified to the Agent; provided, that the Agent shall at any time have the right to review and adjust, in the exercise of its reasonable credit judgment, any such calculation (a) to reflect its reasonable estimate of declines in value of any of the Collateral described therein, and (b) to the extent that such calculation is not in accordance with this Agreement.

"Business Day" means (a) any day that is not a Saturday, Sunday, or a

day on which banks in San Francisco, California or New York, New York are required or permitted to be closed, and (b) with respect to all notices, determinations, fundings and payments in connection with the LIBOR Rate or LIBOR Rate Loans, any day that is a Business Day pursuant to clause (a) above and that is also a day on which trading in Dollars is carried on by and between banks in the London interbank market.

"Capital Adequacy Regulation" means any guideline, request or

directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Expenditures" means all payments due (whether or not paid) in

respect of the cost of any fixed asset or improvement, or replacement, substitution, or addition thereto, which has a useful life of more than one year, including those costs arising in connection with the direct or indirect acquisition of such asset by way of increased product or service charges or in connection with a Capital Lease.

"Capital Lease" means any lease of property by the Parent or any

Subsidiary which, in accordance with GAAP, should be reflected as a capital lease on the consolidated balance sheet of the Parent.

"Change of Control" means (a) the direct or indirect acquisition by

any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act), or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act), of:

(i) beneficial ownership of issued and outstanding shares of voting stock of the Parent, the result of which acquisition is that such person or such group possesses in excess of 35% of the combined voting power of all then-issued and outstanding voting stock of the Parent, or

(ii) the power to elect, appoint or cause the election or appointment of at least a majority of the members of the Board of Directors of the Parent; or

(b) any decrease in the Parent's percentage ownership of AMDISS after the Closing Date.

"Clearing Bank" means the Bank or any other banking institution with whom a Payment Account has been established pursuant to a Blocked Account Agreement.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute, and regulations promulgated thereunder.

"Collateral" has the meaning specified in Section 6.1.

"Commitment" means, at any time with respect to a Lender, the principal amount set forth beside such Lender's name under the heading "Commitment" on the signature pages of this Agreement or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 13.3, as such Commitment may be adjusted from time to time in accordance with the provisions of Section 13.3, and "Commitments" means, collectively, the aggregate amount of the commitments of all of the Lenders.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, asbestos in any form or condition, polychlorinated biphenyls ("PCBs"), or any constituent of any such substance or waste.

"Credit Support" has the meaning specified in Section 2.4(a).

"Debt" means all liabilities, obligations and indebtedness of the Parent or any Subsidiary to any Person, of any kind or nature, now or hereafter owing, arising, due or payable, howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed or otherwise, and including, without in any way limiting the generality of the foregoing: (i) the Parent's or any Subsidiary's liabilities and obligations to trade creditors; (ii) all Obligations; (iii) all obligations and liabilities of any Person secured by any Lien on the Parent's or any Subsidiary's property, even though the Parent or such Subsidiary shall not have assumed or become liable for the payment thereof; provided, however, that all such obligations and liabilities

which are limited in recourse to such property shall be included in Debt only to the extent of the book value of such property as would be shown on a balance sheet of the Parent prepared on a consolidated basis in accordance with GAAP; (iv) all obligations or liabilities created or arising under any Capital Lease or conditional sale or other title retention agreement with respect to property used or acquired by the Parent or any Subsidiary, even if the rights and remedies of the lessor, seller or lender thereunder are limited to repossession of such property; provided, however, that all such obligations and liabilities

which are limited in recourse to such property shall be included in Debt only to the extent of the book value of such property as would be shown on a balance sheet of the Parent prepared on a consolidated basis in accordance with GAAP; and (v) all obligations and liabilities under Guaranties. Notwithstanding the foregoing,

"Debt" shall exclude all accrued pension fund and other employee benefit plan obligations and liabilities, all deferred taxes and all obligations and liabilities in respect of Rate Protection Arrangements.

"Debt For Borrowed Money" means, as to any Person, Debt for borrowed money or as evidenced by notes, bonds, debentures or similar evidences of any such Debt of such Person, the deferred and unpaid purchase price of any property or business (other than trade accounts payable incurred in the ordinary course of business and constituting current liabilities) and all obligations under Capital Leases.

"Default" means any event or circumstance which, with the giving of

notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Defaulting Lender" has the meaning specified in Section 2.2(g)(ii).

"Default Rate" means a fluctuating per annum interest rate at all

times equal to the sum of (a) the otherwise applicable Interest Rate plus (b)

two percent (2%). Each Default Rate shall be adjusted simultaneously with any change in the applicable Interest Rate. In addition, with respect to Letters of Credit, the Default Rate shall mean an increase in the Letter of Credit Fee by two percentage points.

"Distribution" means, in respect of any corporation: (a) the payment

or making of any dividend or other distribution of property in respect of capital stock (or any options or warrants for such stock) of such corporation, other than distributions in capital stock (or any options or warrants for such stock) of the same class; or (b) the redemption or other acquisition by such corporation of any capital stock (or any options or warrants for such stock) of such corporation.

"DOL" means the United States Department of Labor or any successor

department or agency.

"Dollar" and "\$" means dollars in the lawful currency of the United

States.

"Domestic Cash" means, as of any date of determination, the amount on

such date of all unencumbered Dollar-denominated cash and cash equivalents (determined in accordance with GAAP) of the Borrower and its U.S. Subsidiaries on deposit or otherwise located in the United States on such date.

"EBITDA" means, with respect to the Parent and its Subsidiaries on a

consolidated basis for any period, Adjusted Net Earnings from Operations for such period plus, to the extent deducted in computing such Adjusted Net Earnings

from Operations, the sum of (a) income tax expense, (b) interest expense, and (c) depreciation and amortization expense.

"Eligible Accounts" means the Accounts which the Agent in the exercise

of its reasonable commercial discretion determines to be Eligible Accounts. Without limiting the

-8-

discretion of the Agent to establish other criteria of ineligibility, Eligible Accounts shall not, unless the Agent in its reasonable discretion elects, include any Account:

(a) with respect to which more than 90 days have elapsed since the date of the original invoice therefor or it is more than 60 days past due;

(b) with respect to which any of the representations, warranties, covenants, or agreements contained in Section 6.8 are not or have ceased to be

complete and correct or have been breached;

(c) with respect to which, in whole or in part, a check, promissory note, draft, trade acceptance or other instrument for the payment of money has been received, presented for payment and returned uncollected for any reason;

(d) which represents a progress billing (as hereinafter defined); for the purposes hereof, "progress billing" means any invoice for goods sold or leased or services rendered under a contract or agreement pursuant to which the Account Debtor's obligation to pay such invoice is conditioned upon completion by the Borrower or any Affiliate of the Borrower, or any third party sub-contracting with the Borrower, of any further performance under the contract or agreement;

(e) with respect to which any one or more of the following events has occurred to the Account Debtor on such Account: death or judicial declaration of incompetency of an Account Debtor who is an individual; the filing by or against the Account Debtor of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, winding-up, or other relief under the bankruptcy, insolvency, or similar laws of the United States, any state or territory thereof, or any

foreign jurisdiction, now or hereafter in effect; the making of any general assignment by the Account Debtor for the benefit of creditors; the appointment of a receiver, trustee, administrator, or conservator for the Account Debtor or for any of the assets of the Account Debtor, including the appointment of or taking possession by a "custodian," as defined in the Bankruptcy Code; the institution by or against the Account Debtor of any other type of insolvency proceeding (under the Bankruptcy Code or otherwise) or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of, the Account Debtor; the sale, assignment, or transfer of all or any material part of the assets of the Account Debtor, unless the Agent otherwise agrees in its reasonable discretion not to exclude such Account on such basis; the nonpayment generally by the Account Debtor of its debts as they become due; or the cessation of the business of the Account Debtor as a going concern;

(f) if fifty percent (50%) or more of the aggregate amount (in Dollars or other currency) of outstanding Accounts owed at such time by the Account Debtor thereon is classified as ineligible under subsection (a) above;

(g) owed by an Account Debtor which: (i) does not maintain its chief executive office in the United States or Canada (unless such Account Debtor is an Eligible Foreign Account Debtor or is the obligor in respect of an Eligible Other Foreign Account); or (ii)

-9-

is not organized under the laws of the United States or any state thereof (unless such Account Debtor is an Eligible Foreign Account Debtor or is the obligor in respect of an Eligible Other Foreign Account); or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof; except to the extent that such Account is secured or payable by a letter of credit satisfactory to the Agent in its reasonable discretion;

(h) owed by an Account Debtor which is an Affiliate or employee of the Borrower or any Affiliate;

(i) except as provided in (k) below, with respect to which either the perfection, enforceability, or validity of the Agent's Lien in such Account, or the Agent's right or ability to obtain direct payment to the Agent of the proceeds of such Account, is governed by any federal, state, or local statutory requirements other than those of the UCC;

(j) owed by an Account Debtor to which the Borrower or any Subsidiary is indebted in any way, or which is subject to any right of setoff or recoupment by the Account Debtor, unless the Account Debtor has entered into an agreement acceptable to the Agent to waive all such rights; or if the Account Debtor thereon has disputed liability or made any claim with respect to any other Account due from such Account Debtor; but in each such case only to the extent of such indebtedness, setoff, recoupment, dispute, or claim;

(k) owed by the Government of the United States of America, or any department, agency, public corporation, or other instrumentality thereof, unless the Federal Assignment of Claims Act of 1940, as amended (31 U.S.C. (S) 3727 et seq.), and any other steps necessary to perfect the Agent's Lien therein, have been complied with to the Agent's satisfaction with respect to such Account;

(l) owed by any state, municipality, or other political subdivision of the United States of America, or any department, agency, public corporation, or other instrumentality thereof and as to which the Agent determines that its Lien therein is not or cannot be perfected;

(m) which represents a sale on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment, or other repurchase or return basis;

(n) which is evidenced by a promissory note or other instrument or by chattel paper;

(o) if the Agent believes, in the exercise of its reasonable judgment, that the prospect of collection of such Account is impaired or that the Account may not be paid by reason of the Account Debtor's financial inability to pay;

(p) with respect to which the Account Debtor is located in any state requiring the filing of a Notice of Business Activities Report or similar report in order to permit the Borrower to seek judicial enforcement in such State of payment of such Account, unless such

-10-

Borrower has qualified to do business in such state or has filed a Notice of

Business Activities Report or equivalent report for the then current year; or

(q) which arises out of a sale not made in the ordinary course of the Borrower's business;

(r) with respect to which the goods giving rise to such Account have not been shipped and delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by the Borrower, and, if applicable, accepted by the Account Debtor, or the Account Debtor revokes its acceptance of such goods or services;

(s) owed by an Account Debtor which is obligated to the Borrower respecting Accounts the aggregate unpaid gross balance of which exceeds (i) in the case of International Business Machines, 15%, (ii) in the case of Compaq Computer, 10%, (iii) in the case of Gateway, 10%, (iv) in the case of Approved Distributors, 10%, and (v) in all other cases, 5%, of the aggregate unpaid gross balance of all Accounts owed to the Parent and AMDISS at such time by all of their respective Account Debtors, but in each case only to the extent of such excess;

(t) which arises out of an enforceable contract or order which, by its terms, forbids, restricts or makes void or unenforceable the granting of a Lien by the Borrower to the Agent with respect to such Account;

(u) which is not subject to a first priority and perfected security interest in favor of the Agent for the benefit of the Lenders.

If any Account at any time ceases to be an Eligible Account, then such Account shall promptly be excluded from the calculation of Eligible Accounts.

"Eligible Assignee" means (a) a commercial bank, commercial finance company or other asset based lender, having total assets in excess of \$1,000,000,000; (b) any Lender listed on the signature page of this Agreement; (c) any Affiliate of any Lender; and (d) if an Event of Default exists, any Person reasonably acceptable to the Agent.

"Eligible Foreign Account Debtor" means an Account Debtor (a) that does not reside in or have its chief executive office in the United States and that is identified on Schedule 1.1(b), as such Schedule may from time to time be amended by the Borrower with the written consent of the Agent, (b) that is otherwise satisfactory to the Agent in its sole discretion, or (c) whose Accounts are fully supported by one or more letters of credit acceptable to the Agent.

"Eligible Other Foreign Accounts" means Eligible Accounts owing to AMDISS by any Account Debtor that does not maintain its chief executive office in the United States or Canada or is not organized under the laws of the United States or any state thereof (which Account Debtor need not be an Eligible Foreign Account Debtor) up to an amount per Account not to exceed the lesser of (i) \$500,000 or (ii) 0.25% of the aggregate unpaid gross balance of all of the Accounts of AMDISS.

-11-

"Enhanced Covenant Period" means any period of one or more days that Net Domestic Cash is less than \$100,000,000.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case relating to environmental, health, safety and land use matters.

"Environmental Lien" means a Lien in favor of any Governmental Authority for (a) any liability under Environmental Laws, or (b) damages arising from, or costs incurred by such Governmental Authority in response to, a Release or threatened Release of a Contaminant into the environment.

"Environmental Property Transfer Act" means any applicable requirement of law that conditions, restricts, prohibits or requires any notification or disclosure triggered by the closure of any property or the transfer, sale or

lease of any property or deed or title for any property for environmental reasons, including, but not limited to, any so-called "Environmental Cleanup Responsibility Acts" or "Responsible Property Transfer Acts."

"Equipment" means all of the Borrower's now owned and hereafter

acquired machinery, equipment, furniture, furnishings, fixtures, and other tangible personal property (except Inventory), including motor vehicles with respect to which a certificate of title has been issued, aircraft, dies, tools, jigs, and office equipment, as well as all of such types of property leased by the Borrower and all of the Borrower's rights and interests with respect thereto under such leases (including options to purchase); together with all present and future additions and accessions thereto, replacements therefor, component and auxiliary parts and supplies used or to be used in connection therewith, and all substitutes for any of the foregoing, and all manuals, drawings, instructions, warranties and rights with respect thereto; wherever any of the foregoing is located.

"ERISA" means the Employee Retirement Income Security Act of 1974, and

regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not

incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension

Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section

-12-

4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multi-employer Plan or notification that a Multi-employer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multi-employer Plan; (e) the occurrence of an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multi-employer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Event of Default" has the meaning specified in Section 11.1.

"Exchange Act" means the Securities Exchange Act of 1934, and

regulations promulgated thereunder.

"Existing Senior Credit Facility" means the Credit Agreement dated as

of July 19, 1996, as amended, by and among the Parent, the financial institutions party thereto as "Banks" and Bank of America National Trust and Savings Association, as administrative agent.

"FASL" means Fujitsu AMD Semiconductor Limited, a joint venture

between the Parent and Fujitsu Limited.

"FDIC" means the Federal Deposit Insurance Corporation, and any

Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate set forth in the

weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"Federal Reserve Board" means the Board of Governors of the Federal

Reserve System or any successor thereto.

"Fee Letter" means that certain letter agreement dated July 13, 1999,

between the Parent and the Agent.

"Financial Statements" means, according to the context in which it is

used, the financial statements referred to in Section 8.6 or any other financial
statements required to be given to the Lenders pursuant to this Agreement.

-13-

"Fiscal Year" means the Parent's fiscal year for financial accounting

purposes. The current Fiscal Year of the Borrower will end on December 26,
1999.

"Funding Date" means the date on which a Borrowing occurs.

"GAAP" means generally accepted accounting principles set forth from

time to time in the opinions and pronouncements of the Accounting Principles
Board and the American Institute of Certified Public Accountants and statements
and pronouncements of the Financial Accounting Standards Board (or agencies with
similar functions of comparable stature and authority within the U.S. accounting
profession), which are applicable to the circumstances as of the Closing Date.

"General Intangibles" means all of the Borrower's now owned or

hereafter acquired general intangibles, choses in action and causes of action
and all other intangible personal property of the Borrower of every kind and
nature (other than Accounts), including all rights to payment under contracts,
corporate or other business records relating to Accounts and Inventory, tax
refund claims, rights and claims against carriers and shippers, rights to
indemnification, business interruption insurance and proceeds thereof, property,
casualty or any similar type of insurance and any proceeds thereof, and any
letter of credit, guarantee, claim, security interest or other security held by
or granted to the Borrower. Notwithstanding the foregoing, "General
Intangibles" shall exclude (a) any of the foregoing to the extent, but only to
the extent, constituting a proceed of, or otherwise arising in respect of, any
of the Borrower's real property, fixed tangible assets or Equipment or any
collateral pledged as security for the Parent's obligations under the Indenture
under that certain Security Agreement dated as of August 1, 1996, between the
Parent and IBJ Schroeder Bank and Trust Company, as collateral agent, as in
effect on the Closing Date, and (b) any of the Borrower's now owned or hereafter
acquired inventions, designs, blueprints, plans, specifications, patents, patent
applications, trademarks, service marks, trade names, trade secrets, goodwill,
copyrights, computer software, customer lists, registrations, licenses and
franchises.

"German Subsidiary" means, together, AMD Saxony Manufacturing GmbH, a

German corporation, and any company formed under the laws of a jurisdiction
other than one of the United States of America for the purpose of holding 100%
of the equity in AMD Saxony Manufacturing GmbH.

"German Subsidiary Accounts" has the meaning specified in Section

6.1(a).

"Governmental Authority" means any nation or government, any state or

other political subdivision thereof, any central bank (or similar monetary or
regulatory authority) thereof, any entity exercising executive, legislative,
judicial, regulatory or administrative functions of or pertaining to government,
and any corporation or other entity owned or controlled, through stock or
capital ownership or otherwise, by any of the foregoing.

"Grandfathering Rules" means that any actions taken by the Borrower or

any of its Subsidiaries and any events or circumstances occurring or arising
during any time that is not an Enhanced Covenant Period, which actions, events
or circumstances were permitted under the

-14-

terms of this Agreement at the time taken, occurring or arising, shall not
constitute a breach of the applicable covenant referencing such Enhanced
Covenant Period during any subsequent Enhanced Covenant Period notwithstanding
that such actions, events or circumstances would not have been permitted under
such covenant, or would have constituted such a breach, had such actions, events
or circumstances been taken, occurred or arisen during such Enhanced Covenant

Period.

"Guaranty" means, with respect to any Person, all obligations of such

Person which in any manner directly or indirectly guarantee or assure, or in effect guarantee or assure, the payment or performance of any indebtedness, dividend or other obligations of any other Person (the "guaranteed obligations"), or assure or in effect assure the holder of the guaranteed obligations against loss in respect thereof, including any such obligations incurred through an agreement, contingent or otherwise: (a) to purchase the guaranteed obligations or any property constituting security therefor; (b) to advance or supply funds for the purchase or payment of the guaranteed obligations or to maintain a working capital or other balance sheet condition; or (c) to lease property or to purchase any debt or equity securities or other property or services.

"Indenture" means the Indenture dated as of August 1, 1996, between

the Parent, as issuer, and United States Trust Company of New York, as trustee, as supplemented by that certain First Supplemental Indenture dated as of January 13, 1999 and that certain Second Supplemental Indenture dated as of April 8, 1999, as the same may be further amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Intercompany Accounts" means all assets and liabilities, however

arising, which are due to the Borrower from, which are due from the Borrower to, or which otherwise arise from any transaction by the Borrower with, any Affiliate.

"Interest Period" means, as to any LIBOR Rate Loan, the period

commencing on the Funding Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as a LIBOR Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Borrower in its Notice of Borrowing, or Notice of Conversion/Continuation; provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

-15-

(iii) no Interest Period shall extend beyond the Stated Termination Date.

"Interest Rate" means each or any of the interest rates, including the

Default Rate, set forth in Section 3.1.

"Inventory" means all of the Borrower's now owned and hereafter

acquired inventory, goods and merchandise, wherever located, to be furnished under any contract of service or held for sale or lease, all returned goods, raw materials, other materials and supplies of any kind, nature or description which are or might be consumed in the Borrower's business or used in connection with the packing, shipping, advertising, selling or finishing of such goods, merchandise and such other personal property, and all documents of title or other documents representing them.

"Investment Property" means all of the Borrower's right, title and

interest in and to any and all: (a) securities, whether certificated or uncertificated; (b) securities entitlements; (c) securities accounts; (d) commodity contracts; and (e) commodity accounts.

"Investments" has the meaning specified in the definition of

Restricted Investments.

"IRS" means the Internal Revenue Service and any Governmental

Authority succeeding to any of its principal functions under the Code.

"Latest Projections" means: (a) on the Closing Date and thereafter

until the Agent receives new projections pursuant to Section 7.2(f), the

projections of the Parent's financial condition, results of operations, and cash
flow, for the period commencing on March 29, 1999, and ending on December 30,
2001, and delivered to the Agent prior to the Closing Date; and (b) thereafter,
the projections most recently received by the Agent pursuant to Section 7.2(f).

"Lender" and "Lenders" have the meanings specified in the introductory

paragraph hereof and shall include the Agent to the extent of any Agent Advance
outstanding and the Bank to the extent of any Non-Ratable Loan outstanding;
provided that no such Agent Advance or Non-Ratable Loan shall be taken into

account in determining any Lender's Pro Rata Share.

"Letter of Credit" means any letter of credit issued or caused to be

issued for the account of the Borrower pursuant to Section 2.4.

"Letter of Credit Fee" has the meaning specified in Section 3.6.

"Letter of Credit Issuer" means the Bank, any affiliate of the Bank or

any other financial institution that issues any Letter of Credit pursuant to
this Agreement.

"LIBOR Rate" means, for any Interest Period, with respect to LIBOR

Rate Loans in any Borrowing, the rate of interest per annum determined pursuant
to the following formula:

-16-

LIBOR Rate =
$$\frac{\text{Offshore Base Rate}}{\text{1.00 -- Eurodollar Reserve Percentage}}$$

Where,

"Offshore Base Rate" means the rate per annum determined by Agent

as the rate of interest at which dollar deposits in the approximate
amount of the Agent's LIBOR Rate Loan comprising part of such
Borrowing would be offered by the Agent's London Branch to major banks
in the offshore dollar market at their request at or about 11:00 a.m.
(London time) two Business Days prior to the first day of such
Interest Period for a term comparable to such Interest Period.

"Eurodollar Reserve Percentage" means, for any day during any

Interest Period, the maximum reserve percentage (expressed as a
decimal, rounded upward to the next 1/100th of 1%) in effect on such
day under regulations issued from time to time by the Federal Reserve
Board for determining the maximum reserve requirement (including any
emergency, supplemental or other marginal reserve requirement) with
respect to Eurocurrency funding (currently referred to as
"Eurocurrency liabilities"). The Offshore Rate for each outstanding
LIBOR Rate Loan shall be adjusted automatically as of the effective
date of any change in the Eurodollar Reserve Percentage.

"LIBOR Rate Loan" means a Revolving Loan during any period in which it

bears interest based on the LIBOR Rate.

"Lien" means: (a) any interest in property securing an obligation owed

to, or a claim by, a Person other than the owner of the property, whether such
interest is based on the common law, statute, or contract, and including a
security interest, charge, claim, or lien arising from a mortgage, deed of
trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement,
agreement, security agreement, conditional sale or trust receipt or a lease,
consignment or bailment for security purposes; (b) to the extent not included
under clause (a), any reservation, exception, encroachment, easement, right-of-
way, covenant, condition, restriction, lease or other title exception or
encumbrance affecting property; and (c) any contingent or other agreement to
provide any of the foregoing.

"Loan Account" means the loan account of the Borrower, which account

shall be maintained by the Agent.

"Loan Availability Date" has the meaning specified in Section 10.2.

"Loan Documents" means this Agreement, the Fee Letter and any other agreements, instruments, and documents heretofore, now or hereafter evidencing, securing, guaranteeing or otherwise relating to the Obligations, the Collateral, or any other aspect of the transactions contemplated by this Agreement.

"Loan to Availability Ratio" means, at any time, the ratio of (a) the Aggregate Revolver Outstandings at such time to (b) the Borrowing Base at such time.

"Loans" means, collectively, all loans and advances provided for in Article 2.

"Majority Lenders" means at any time Lenders whose Pro Rata Shares aggregate more than 66 2/3%, as such percentage is determined under the definition of Pro Rata Share set forth herein.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the Federal Reserve Board.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, or condition (financial or otherwise) of the Parent and AMDISS taken as a whole or the Collateral taken as a whole; (b) a material impairment of the ability of the Borrower to perform under any Loan Document and to avoid any Event of Default; or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability against the Borrower of any Loan Document, or (ii) the perfection or priority of any material portion of the Agent's Liens.

"Maximum Rate" has the meaning specified in Section 3.3.

"Maximum Revolver Amount" means \$200,000,000.

"Multi-employer Plan" means a "multi-employer plan" as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding six (6) years contributed to by the Borrower or any ERISA Affiliate.

"Net Domestic Cash" means, at any time, Domestic Cash at such time minus the Aggregate Revolver Outstandings at such time.

"Net Amount of Eligible Accounts" means, in respect of each Borrower at any time, the gross amount of Eligible Accounts of such Borrower less sales, excise or similar taxes, and less returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed.

"Non-Ratable Loan" and "Non-Ratable Loans" have the meanings specified in Section 2.2(h).

"Notice of Borrowing" has the meaning specified in Section 2.2(b).

"Notice of Conversion/Continuation" has the meaning specified in Section 3.2(b).

"Obligations" means all present and future loans, advances, liabilities, obligations, covenants, duties, and debts owing by the Borrower to the Agent and/or any Lender, arising under or pursuant to this Agreement or any of the other Loan Documents, whether or not evidenced by any note, or other instrument or document, whether arising from any extension of credit, issuance of any letter of credit, acceptance, loan, guaranty, indemnification or

otherwise, whether direct or indirect (including those acquired by assignment from others, and any participation by the Agent and/or any Lender in the Borrower's debts owing to others), absolute or contingent, due or to become due, primary or secondary, as principal or guarantor, and including all principal, interest, charges, expenses, fees, attorneys' fees, filing fees and any other sums chargeable to the Borrower hereunder or under any of the other Loan Documents. "Obligations" includes, without limitation, all debts, liabilities and obligations now or hereafter arising from or in connection with Bank Products.

"Other Taxes" means any present or future stamp or documentary taxes

or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Participant" means any Person who shall have been granted the right

by any Lender to participate in the financing provided by such Lender under this Agreement, and who shall have entered into a participation agreement in form and substance satisfactory to such Lender.

"Payment Account" means each blocked bank account established pursuant

to Section 6.9, to which the funds of the Borrower (including proceeds of

Accounts and other Collateral) are deposited or credited, and which is maintained in the name of the Agent or the Borrower, as the Agent may determine, on terms acceptable to the Agent.

"PBGC" means the Pension Benefit Guaranty Corporation or any

Governmental Authority succeeding to the functions thereof.

"Pending Revolving Loans" means, at any time, the aggregate principal

amount of all Revolving Loans requested in any Notice of Borrowing received by the Agent which have not yet been advanced.

"Pension Plan" means a pension plan (as defined in Section 3(2) of

ERISA) subject to Title IV of ERISA which the Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a Multiple-employer Plan has made contributions at any time during the immediately preceding five (5) plan years.

"Permitted Affiliate Investments" means Investments by the Parent or

any Subsidiary in the Parent or any Subsidiary, provided that the amount of all

such Permitted Affiliate Investments made by the Parent or any U.S. Subsidiary during any Enhanced Covenant Period (but subject to the Grandfathering Rules) may not exceed \$25,000,000 in the aggregate.

"Permitted Liens" means:

-19-

(a) Liens for taxes not delinquent or statutory Liens for taxes provided that the payment of such taxes which are due and payable is being contested in good faith and by appropriate proceedings diligently pursued and as to which adequate financial reserves have been established on Borrower's books and records and a stay of enforcement of any such Lien is in effect;

(b) the Agent's Liens;

(c) Liens consisting of deposits made in the ordinary course of business in connection with, or to secure payment of, obligations under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than liens arising under ERISA or Environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds;

(d) Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons, provided

that if any such Lien arises from the nonpayment of such claims or demand when due, such claims or demands shall not result in a Material Adverse Effect;

(e) Liens constituting encumbrances in the nature of reservations, exceptions, encroachments, easements, rights of way, covenants

running with the land, and other similar title exceptions or encumbrances affecting any Real Estate; provided that they do not in the aggregate materially

detract from the value of the Real Estate or materially interfere with its use in the ordinary conduct of the Borrower's business;

(f) Liens arising from judgments and attachments in connection with court proceedings provided that the attachment or enforcement of such Liens would not result in an Event of Default hereunder and such Liens are being contested in good faith by appropriate proceedings, adequate reserves have been set aside and no material Property is subject to a material risk of loss or forfeiture and the claims in respect of such Liens are fully covered by insurance (subject to ordinary and customary deductibles);

(g) Liens existing as of the Closing Date, provided that no

such Lien shall encumber any Collateral;

(h) Liens arising solely by virtue of any statutory or common law provisions relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution, provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower or any Restricted Subsidiary in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Borrower or any Restricted Subsidiary to provide collateral to the depository institution;

-20-

(i) Liens on property which is not Collateral in respect of conditional sales contracts or retention of title agreements in connection with the acquisition of property permitted under this Agreement, provided that any

such Lien shall attach only to the property so acquired;

(j) Liens on replacement collateral securing the Parent's obligations under the Indenture, which replacement collateral was acquired pursuant to Section 9.8(b)(iv), or Liens on the proceeds of an Event of Loss (as

defined in the Indenture, as in effect on the Closing Date), and any replacement collateral acquired with such proceeds, securing the Parent's obligations under the Indenture; provided that none of such Liens shall attach to any Collateral;

(k) Liens permitted under the Grandfathering Rules under Section 9.17(b); and

(l) the renewal, extension or replacement of any Lien that was, at the time such Lien was incurred or assumed, permitted hereunder, provided

that (i) any such renewal, extension or replacement Lien encumbers the same property as the Lien being renewed, extended or replaced and shall not extend to any additional property not encumbered by the prior Lien and (ii) the Debt secured by such renewal, extension or replacement Lien is then permitted hereunder.

"Person" means any individual, sole proprietorship, partnership,

limited liability company, joint venture, trust, unincorporated organization, association, corporation, Governmental Authority, or any other entity.

"Plan" means an employee benefit plan (as defined in Section 3(3) of

ERISA) which the Borrower sponsors or maintains or to which the Borrower makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Premises" means the land and all buildings, improvements, and

fixtures thereon and all tenements, hereditaments, and appurtenances belonging or in any way appertaining thereto, which constitutes all of the real property in which the Borrower has any interest.

"Pro Rata Share" means, with respect to a Lender, a fraction

(expressed as a percentage), the numerator of which is the amount of such Lender's Commitment and the denominator of which is the sum of the amounts of all of the Lenders' Commitments, or if no Commitments are outstanding, a fraction (expressed as a percentage), the numerator of which is the amount of Obligations owed to such Lender and the denominator of which is the aggregate amount of the Obligations owed to the Lenders.

"Rate Protection Arrangements" means (a) any and all rate swap

transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency

-21-

options, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, or (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Associations, Inc., or any other master agreement (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a "Master Agreement), including but not limited to any such obligations or liabilities under any Master Agreement.

"Real Estate" means all of the present and future interests of the

Borrower, as owner, lessee, or otherwise, in the Premises, including any interest arising from an option to purchase or lease the Premises or any portion thereof.

"Release" means a release, spill, emission, leaking, pumping,

injection, deposit, disposal, discharge, dispersal, leaching or migration of a Contaminant into the indoor or outdoor environment or into or out of any Real Estate or other property, including the movement of Contaminants through or in the air, soil, surface water, groundwater or Real Estate or other property.

"Reportable Event" means, any of the events set forth in Section

4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Required Lenders" means at any time Lenders whose Pro Rata Shares

aggregate more than 50% as such percentage is determined under the definition of Pro Rata Share set forth herein.

"Requirement of Law" means, as to any Person, any law (statutory or

common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, Vice Chairman

or the president of the Parent, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants and the preparation of the Borrowing Base Certificate, the chief financial officer or the treasurer of the Parent, or any other officer having substantially the same authority and responsibility.

"Restricted Investment" means, as to any Person, any acquisition of

property by such Person in exchange for cash or other property, whether in the form of an acquisition of stock, debt, or other indebtedness or obligation, or the purchase or acquisition of any other property, or a loan, advance, capital contribution, or subscription (collectively, "Investments"), except the following: (a) acquisitions of Equipment in the ordinary course of business to be used in the business of the Parent or its Subsidiaries; (b) acquisitions of Inventory in the ordinary course of business; (c) acquisitions of current assets acquired in the ordinary course of business

-22-

of the Parent or its Subsidiaries; (d) acquisitions of direct obligations of the United States of America, or any agency thereof, or obligations guaranteed by the United States of America, provided that such obligations mature within one

year from the date of acquisition thereof; (e) acquisitions of certificates of deposit maturing within one year from the date of acquisition, bankers' acceptances, Eurodollar bank deposits, or overnight bank deposits, in each case issued by, created by, or with a bank or trust company organized under the laws of the United States or any state thereof having capital and surplus aggregating at least \$100,000,000; (f) acquisitions of commercial paper given a rating of "A2" or better by Standard & Poor's Corporation or "P2" or better by Moody's Investors Service, Inc. and maturing not more than 90 days from the date of creation thereof; (g) Rate Protection Arrangements; (h) Investments made after

the Closing Date in the German Subsidiary not exceeding \$100,000,000 in the aggregate funded on or prior to December 31, 1999 (minus the fair market value of all assets transferred or otherwise conveyed to the German Subsidiary by the Parent or any Subsidiary during such period) and other Investments in the German Subsidiary to the extent constituting "Restricted Investments" permitted under Section 4.07 of the Indenture, as in effect as of the Closing Date; (i) Permitted Affiliate Investments; (j) any Investment made as the result of the receipt of non-cash consideration from an asset sale permitted under Section

9.8; (k) loans or advances to employees of the Borrower or any Restricted

Subsidiary not to exceed \$2,000,000 at any time outstanding; and (l) Investments in replacement collateral to secure the obligations of the Parent under the Indenture which are made in accordance with the Indenture from the proceeds of an Event of Loss (as defined in the Indenture, as in effect on the Closing Date) or as permitted under Section 9.8(b)(iv).

"Restricted Subsidiary" means any Subsidiary of the Borrower other

than the German Subsidiary; provided, however, that the term Restricted

Subsidiaries shall include the German Subsidiary if in respect of any Debt or obligations of the German Subsidiary there shall exist at any time any contractual obligation which provides recourse to any assets of, or any contingent obligations or Debt of, the Parent or any of its Subsidiaries, other than as permitted hereunder.

"Revolving Loans" has the meaning specified in Section 2.2 and

includes each Agent Advance and Non-Ratable Loan.

"Revolving Facility" has the meaning specified in Section 2.1.

"Settlement" and "Settlement Date" have the meanings specified in Section 2.2(j)(i).

"Solvent" means when used with respect to any Person that at the time of determination:

(i) the assets of such Person, at a fair valuation, are in excess of the total amount of its debts (including contingent liabilities); and

-23-

(ii) the present fair saleable value of its assets is greater than its probable liability on its existing debts as such debts become absolute and matured; and

(iii) it is then able and expects to be able to pay its debts (including contingent debts and other commitments) as they mature; and

(iv) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of determining whether a Person is Solvent, the amount of any contingent liability shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Stated Termination Date" means July 14, 2003.

"Subsidiary" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Parent.

"Swap Termination Value" means, in respect of any one or more Rate

Protection Arrangements, after taking into account the effect of any legally enforceable netting agreement relating to such Rate Protection Arrangement, (a) for any date on or after the date such Rate Protection Arrangements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Rate

Protection Arrangement, as determined by the Parent based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Rate Protection Arrangements (which may include the Bank).

"Taxes" means any and all present or future taxes, levies, imposts, -----
deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Lender's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender or the Agent, as the case may be, is organized or maintains a lending office.

"Termination Date" means the earliest to occur of (i) the Stated -----
Termination Date, (ii) the date the Revolving Facility is terminated either by the Borrower pursuant to Section 4.2 or by the Majority Lenders pursuant to -----
Section 11.2, and (iii) the date this Agreement is otherwise terminated for any -----
reason whatsoever.

-24-

"UCC" means the Uniform Commercial Code (or any successor statute) of -----
the State of California or of any other state the laws of which are required by Section 9-103 thereof to be applied in connection with the issue of perfection of security interests.

"Unfunded Pension Liability" means the excess of a Plan's benefit -----
liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"Unused Letter of Credit Subfacility" means an amount equal to -----
\$10,000,000 minus the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit plus (b) the aggregate unpaid reimbursement obligations with -----
respect to all Letters of Credit.

"Unused Line Fee" has the meaning specified in Section 3.5. -----

"U.S. Subsidiary" means any Subsidiary of the Parent that is organized -----
under the laws of the United States or any State thereof or that maintains its chief executive office in the United States.

"Wholly-Owned Subsidiary" means any corporation in which (other than -----
directors' qualifying shares required by law) 100% of the capital stock of each class having ordinary voting power, and 100% of the capital stock of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Parent, or by one or more of the other Wholly-Owned Subsidiaries, or both.

.2 Accounting Terms; UCC Terms. (a) Any accounting term used in this -----
Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed, unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the Financial Statements. (b) Subject to the preceding subsection (a), any term used herein which is defined in the UCC and which is not otherwise defined in this Agreement shall have the same meaning when used herein as is given to such term in the UCC.

.3 Interpretive Provisions. (a) The meanings of defined terms are equally -----
applicable to the singular and plural forms of the defined terms.

(b) The words "hereof," "herein," "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

-25-

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agent, the Borrower and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Lenders or the Agent merely because of the Agent's or Lenders' involvement in their preparation.

ARTICLE 2

LOANS AND LETTERS OF CREDIT

.1 Revolving Facility. Subject to all of the terms and conditions of this Agreement, the Lenders severally agree to make available a revolving credit facility of up to \$200,000,000 (the "Revolving Facility") for the Borrower's use from time to time during the term of this Agreement. The Revolving Facility shall be composed of a revolving line of credit consisting of Revolving Loans and Letters of Credit up to the Borrowing Base in effect from time to time, as described in Section 2.2 and Section 2.4.

.2 Revolving Loans. (a) Amounts. Subject to the satisfaction of the conditions precedent set forth in Article 10, each Lender severally, but not jointly, agrees, upon the Borrower's request from time to time on any Business Day during the period from the Loan Availability Date to the Termination Date, to make revolving loans (the "Revolving Loans") to

-26-

the Borrower in amounts not to exceed (except for the Bank with respect to Non-Ratable Loans or for the Agent with respect to Agent Advances) such Lender's Pro Rata Share of the Borrowing Base. The Lenders, however, in their unanimous discretion, may elect to make Revolving Loans or issue or arrange to have issued, or participate (as provided for in Section 2.4(f)) in the credit support or enhancement provided through the Agent to the Letter of Credit Issuer in excess of the Availability on one or more occasions, but if they do so, neither the Agent nor the Lenders shall be deemed thereby to have changed the limits of the Borrowing Base or to be obligated to exceed such limits on any other occasion. If the Aggregate Revolver Outstandings exceed the Borrowing Base, the Lenders may refuse to make or otherwise restrict the making of Revolving Loans as the Lenders determine until such excess has been eliminated, subject to the Agent's authority, in its sole discretion, to make Agent Advances pursuant to the terms of Section 2.2(i).

(b) Procedure for Borrowing. (i) Each Borrowing shall be made upon the Borrower's irrevocable written notice delivered to the Agent in the form of a notice of borrowing in the form of Exhibit B

("Notice of Borrowing") together with a Borrowing Base Certificate reflecting sufficient Availability, (which must be received by the Agent prior to 11:00 a.m. (Pasadena, California time) (A) three Business Days prior to the requested Funding Date, in the case of LIBOR Rate Loans and (B) no later than 11:00 a.m. (Pasadena,

California time) on the requested Funding Date, in the case of Base Rate Loans, specifying:

- (1) the applicable Borrower;
- (2) the amount of the Borrowing, which, in the case of LIBOR Rate Loans, shall be in an amount of \$5,000,000 or any integral multiple of \$1,000,000 in excess thereof;
- (3) the requested Funding Date, which shall be a Business Day;
- (4) whether the Revolving Loans requested are to be Base Rate Loans or LIBOR Rate Loans; and
- (5) the duration of the Interest Period if the requested Revolving Loans are to be LIBOR Rate Loans. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of LIBOR Rate Loans, such Interest Period shall be one month;

provided, however, that with respect to the Borrowing, if any, to be made on the _____ Loan Availability Date, such Borrowing will consist of Base Rate Loans only.

(ii) With respect to any request for Base Rate Loans, in lieu of delivering the above-described Notice of Borrowing the Borrower may give the Agent telephonic notice of such request by the required time, with such telephonic notice to be confirmed in

-27-

writing within 24 hours of the giving of such notice, but the Agent shall be entitled to rely on the telephonic notice in making such Revolving Loans.

(iii) After giving effect to any Borrowing of LIBOR Rate Loans, there may not be more than five different Interest Periods in effect hereunder.

(c) Reliance upon Authority. On or prior to the Closing Date and _____

thereafter prior to any change with respect to any of the information contained in the following clauses (i) and (ii), the Borrower shall deliver to the Agent a writing setting forth (i) the deposit account of the Borrower to which the Agent is authorized to transfer the proceeds of the Revolving Loans requested pursuant to this Section 2.2, and (ii) the names of the individuals authorized to request

Revolving Loans on behalf of the Borrower, and shall provide the Agent with a specimen signature of each such individual. The Agent shall be entitled to rely conclusively on such individual's authority to request Revolving Loans on behalf of the Borrower, the proceeds of which are to be transferred to any of the accounts specified by the Borrower pursuant to the immediately preceding sentence, until the Agent receives written notice to the contrary. The Agent shall have no duty to verify the identity of any individual representing him or herself as one of the officers authorized by the Borrower to make such requests on its behalf.

(d) No Liability. The Agent shall not incur any liability to the _____

Borrower as a result of acting upon any notice referred to in Sections 2.2(b) _____ and (c), which notice the Agent believes in good faith to have been given by an _____ officer duly authorized by the Borrower to request Revolving Loans on its behalf or for otherwise acting in good faith under this Section 2.2, and the crediting _____ of Revolving Loans to the Borrower's deposit account, or transmittal to such Person as the Borrower shall direct, shall conclusively establish the obligation of the Borrower to repay such Revolving Loans as provided herein.

(e) Notice Irrevocable. Any Notice of Borrowing (or telephonic _____

notice in lieu thereof) made pursuant to Section 2.2(b) shall be irrevocable and _____ the Borrower shall be bound to borrow the funds requested therein in accordance therewith.

(f) Agent's Election. Promptly after receipt of a Notice of _____

Borrowing (or telephonic notice in lieu thereof) pursuant to Section 2.2(b), the _____ Agent shall elect, in its discretion, (i) to have the terms of Section 2.2(g) _____ apply to such requested Borrowing, or (ii) to request the Bank to make a Non-Ratable Loan pursuant to the terms of Section 2.2(h) in the amount of the _____ requested Borrowing; provided, however, that if the Bank declines in its sole _____ discretion to make a Non-Ratable Loan pursuant to Section 2.2(h), the Agent

shall elect to have the terms of Section 2.2(g) apply to such requested

Borrowing.

(g) Making of Revolving Loans.

(i) In the event that the Agent shall elect to have the terms of this Section 2.2(g) apply to a requested Borrowing as

described in Section 2.2(f), then promptly after receipt of a Notice

-28-

of Borrowing or telephonic notice pursuant to Section 2.2(b), the

Agent shall notify the Lenders by telecopy, telephone or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to the Agent in immediately available funds, to such account of the Agent as the Agent may designate, not later than 12:00 noon (Pasadena, California time) on the Funding Date applicable thereto. After the Agent's receipt of the proceeds of such Revolving Loans, upon satisfaction of the applicable conditions precedent set forth in Article 10, the Agent shall make the proceeds

of such Revolving Loans available to the Borrower on the applicable Funding Date by transferring same day funds equal to the proceeds of such Revolving Loans received by the Agent to the deposit account of the Borrower designated in writing by the Borrower and acceptable to the Agent; provided, however, that the amount of Revolving Loans so

made on any date shall in no event exceed the Availability on such date, subject to the provisions of subsection 2.2(a).

(ii) Unless the Agent receives notice from a Lender on or prior to the Loan Availability Date or, with respect to any Borrowing after the Loan Availability Date, at least one Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Agent for the account of the Borrower the amount of that Lender's Pro Rata Share of the Borrowing, the Agent may assume that each Lender has made such amount available to the Agent in immediately available funds on the Funding Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Borrower such amount, that Lender shall on the Business Day following such Funding Date make such amount available to the Agent, together with interest at the Federal Funds Rate for each day during such period. A notice by the Agent submitted to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Lender's Revolving Loan for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Funding Date, the Agent will notify the Borrower of such failure to fund and, upon demand by the Agent, the Borrower shall pay such amount to the Agent for the Agent's account,

-29-

together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the Interest Rate applicable at the time to the Revolving Loans comprising such Borrowing. The failure of any Lender to make any Revolving Loan on any Funding Date (any such Lender, prior to the cure of such failure, being hereinafter referred to as a "Defaulting Lender") shall not relieve any other Lender of any obligation hereunder to make a Revolving Loan on such Funding Date, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Loan to be made by such other Lender on any Funding Date.

(iii) The Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrower to the Agent for the Defaulting Lender's benefit; nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder. Amounts payable to a Defaulting Lender shall instead be paid to or retained by the Agent. The Agent may hold and, in its reasonable discretion, re-lend to Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. Any amounts so re-lent to the Borrower shall bear interest based on the Base Rate or the

LIBOR Rate, at the election of the Borrower, and for all other purposes of this Agreement shall be treated as if they were Revolving Loans, provided, however, that for purposes of voting or consenting to matters with respect to the Loan Documents and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender". Until a Defaulting Lender cures its failure to fund its Pro Rata Share of any Borrowing (A) such Defaulting Lender shall not be entitled to any portion of the Unused Line Fee and (B) the Unused Line Fee shall accrue in favor of the Lenders which have funded their respective Pro Rata Shares of such requested Borrowing and shall be allocated among such performing Lenders ratably based upon their relative Commitments. This Section shall remain effective with respect to such Lender until such time as the Defaulting Lender shall no longer be in default of any of its obligations under this Agreement. The terms of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by the Borrower of its duties and obligations hereunder.

(h) Making of Non-Ratable Loans.

(i) In the event the Agent shall elect, with the consent of the Bank, to have the terms of this Section 2.2(h) apply to a

-30-

requested Borrowing as described in Section 2.2(f), the Bank shall

make a Revolving Loan in the amount of such Borrowing (any such Revolving Loan made solely by the Bank pursuant to this Section 2.2(h)

being referred to as a "Non-Ratable Loan" and such Revolving Loans being referred to collectively as "Non-Ratable Loans") available to the Borrower on the Funding Date applicable thereto by transferring same day funds to a deposit account of the Borrower designated in writing by the Borrower and acceptable to the Agent. Each Non-Ratable Loan is a Revolving Loan hereunder and shall be subject to all the terms and conditions applicable to other Revolving Loans except that all payments thereon shall be payable to the Bank solely for its own account (and for the account of the holder of any participation interest with respect to such Revolving Loan). The Agent shall not request the Bank to make any Non-Ratable Loan if (A) the Agent shall have received written notice from any Lender that one or more of the applicable conditions precedent set forth in Article 10 will not be

satisfied on the requested Funding Date for the applicable Borrowing, or (B) the requested Borrowing would exceed the Availability on such Funding Date. The Bank shall not otherwise be required to determine whether the applicable conditions precedent set forth in Article 10

have been satisfied or the requested Borrowing would exceed the Availability on the Funding Date applicable thereto prior to making, in its sole discretion, any Non-Ratable Loan.

(ii) The Non-Ratable Loans shall be secured by the Agent's Liens in and to the Collateral, shall constitute Revolving Loans and Obligations hereunder, and shall bear interest at the rate applicable to the Revolving Loans from time to time.

(i) Agent Advances.

(i) Subject to the limitations set forth in the provisos contained in this Section 2.2(i), the Agent is hereby authorized by

the Borrower and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence of a Default or an Event of Default, or (B) at any time that any of the other applicable conditions precedent set forth in Article 10 have not been satisfied,

to make Base Rate Loans to the Borrower on behalf of the Lenders which the Agent, in its reasonable business judgment, deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, (2) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (3) to pay any other amount chargeable to the Borrower pursuant to the terms of this Agreement, including costs, fees and expenses as

-31-

described in Section 15.7 (any of the advances described in this

Section 2.2(i) being hereinafter referred to as "Agent Advances");

provided, that the Required Lenders may at any time revoke the Agent's

authorization contained in this Section 2.2(i) to make Agent Advances,

any such revocation to be in writing and to become effective
prospectively upon the Agent's receipt thereof; and provided further

that, subject to the final proviso of Section 13.2, the Agent shall

not intentionally make Agent Advances which would cause the Aggregate
Revolver Outstandings to exceed the Borrowing Base.

(ii) The Agent Advances shall be repayable on demand and secured by the Agent's Liens in and to the Collateral, shall constitute Revolving Loans and Obligations hereunder, and shall bear interest at the Base Rate applicable to the Revolving Loans from time to time. The Agent shall notify each Lender in writing of each such Agent Advance.

(j) Settlement. It is agreed that each Lender's funded portion of

the Revolving Loans is intended by the Lenders to be equal at all times to such Lender's Pro Rata Share of the outstanding Revolving Loans. Notwithstanding such agreement, the Agent, the Bank, and the other Lenders agree (which agreement shall not be for the benefit of or enforceable by the Borrower) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among them as to the Revolving Loans, the Non-Ratable Loans and the Agent Advances shall take place on a periodic basis in accordance with the following provisions:

(i) The Agent shall request settlement ("Settlement") with the Lenders on at least a weekly basis, or on a more frequent basis if so determined by the Agent, (A) on behalf of the Bank, with respect to each outstanding Non-Ratable Loan, (B) for itself, with respect to each Agent Advance, and (C) with respect to collections received, in each case, by notifying the Lenders of such requested Settlement by telecopy, telephone or other similar form of transmission, of such requested Settlement, no later than 10:00 a.m. (Pasadena, California time) on the date of such requested Settlement (the "Settlement Date"). Each Lender (other than the Bank, in the case of Non-Ratable Loans, and the Agent, in the case of Agent Advances) shall make the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Non-Ratable Loans and Agent Advances with respect to which Settlement is requested available to the Agent, to such account of the Agent as the Agent may designate, not later than 12:00 noon (Pasadena, California time), on the Settlement Date applicable thereto, which may occur before or after the occurrence or during the continuation of a Default or an Event of Default and whether or

-32-

not the applicable conditions precedent set forth in Article 10 have

then been satisfied. Such amounts made available to the Agent shall be applied against the amounts of the applicable Non-Ratable Loan or Agent Advance and, together with the portion of such Non-Ratable Loan or Agent Advance representing the Bank's Pro Rata Share thereof, shall constitute Revolving Loans of such Lenders. If any such amount is not made available to the Agent by any Lender on the Settlement Date applicable thereto, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Federal Funds Rate for the first three (3) days from and after the Settlement Date and thereafter at the Base Rate then applicable to the Revolving Loans.

(ii) Notwithstanding the foregoing, not more than one (1) Business Day after demand is made by the Agent (whether before or after the occurrence of a Default or an Event of Default and regardless of whether the Agent has requested a Settlement with respect to a Non-Ratable Loan or Agent Advance), each other Lender (A) shall irrevocably and unconditionally purchase and receive from the Bank or the Agent, as applicable, without recourse or warranty, an undivided interest and participation in such Non-Ratable Loan or Agent Advance equal to such Lender's Pro Rata Share of such Non-Ratable Loan or Agent Advance, and (B) if Settlement has not previously occurred with respect to such Non-Ratable Loans or Agent Advances shall pay to Bank or Agent, as applicable, as the purchase price of such participation an amount equal to one-hundred percent (100%) of such Lender's Pro Rata Share of such Non-Ratable Loans or Agent Advances. If such amount is not in fact made available to the Agent by any Lender, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Federal Funds Rate for the first three (3) days from and after such demand and

thereafter at the Base Rate then applicable to the Revolving Loans.

(iii) From and after the date, if any, on which any Lender purchases an undivided interest and participation in any Non-Ratable Loan or Agent Advance pursuant to subsection (ii) above, the Agent shall promptly distribute to such Lender at such address as such Lender may request in writing, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by the Agent in respect of such Non-Ratable Loan or Agent Advance.

(iv) Between Settlement Dates, the Agent, to the extent no Agent Advances or Non-Ratable Loans are outstanding,

-33-

may pay over to the Bank any payments received by the Agent, which in accordance with the terms of this Agreement would be applied to the reduction of the Revolving Loans, for application to the Bank's Revolving Loans. If, as of any Settlement Date, collections received since the then immediately preceding Settlement Date have been applied to the Bank's Revolving Loans (other than to Non-Ratable Loans or Agent Advances in which such Lender has not yet funded its purchase of a participation pursuant to clause 2.2(j)(ii) above), as provided for

in the previous sentence, the Bank shall pay to the Agent for the accounts of the Lenders, to be applied to the outstanding Revolving Loans of such Lenders, an amount such that each Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Revolving Loans. During the period between Settlement Dates, the Bank with respect to Non-Ratable Loans, the Agent with respect to Agent Advances, and each Lender with respect to the Revolving Loans other than Non-Ratable Loans and Agent Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the actual average daily amount of funds employed by the Bank, the Agent and the other Lenders. Nothing in this Section

2.2(j) is intended to impose any greater obligations on the Borrower

to pay interest on the Loans outstanding hereunder than is otherwise provided for in this Agreement.

(k) Notation. The Agent shall record on its books the principal

amount of the Revolving Loans owing to each Lender, including the Non-Ratable Loans owing to the Bank, and the Agent Advances owing to the Agent, from time to time. In addition, each Lender is authorized, at such Lender's option, to note the date and amount of each payment or prepayment of principal of such Lender's Revolving Loans in its books and records, including computer records, such books and records constituting presumptive evidence, absent manifest error, of the accuracy of the information contained therein.

(l) Lenders' Failure to Perform. All Revolving Loans (other than Non-

Ratable Loans and Agent Advances) shall be made by the Lenders simultaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, (ii) no failure by any Lender to perform its obligation to make any Revolving Loans hereunder shall excuse any other Lender from its obligation to make any Revolving Loans hereunder, and (iii) the obligations of each Lender hereunder shall be several, not joint and several.

.3 Bank Products. The Borrower may request and the Bank may, in its sole

and absolute discretion, arrange for the Borrower to obtain from the Bank or the Bank's Affiliates Bank

-34-

Products, although the Borrower is not required to do so. In the event the Borrower requests the Bank to procure Bank Products, then the Borrower agrees to indemnify and hold the Bank and the Lenders harmless from any and all obligations now or hereafter owing to any other Person by the Bank or any of the Lenders or the Bank's affiliates arising from or related to such Bank Products. The Borrower acknowledges and agrees that the obtaining of Bank Products from the Bank or the Bank's Affiliates (a) is in the sole and absolute discretion of the Bank or the Bank's Affiliates, and (b) is subject to all rules and regulations of the Bank.

.4 Letters of Credit.

(a) Agreement to Issue or Cause To Issue. Subject to the terms and

conditions of this Agreement, and in reliance upon the representations and warranties of the Borrower herein set forth, the Agent agrees (i) to issue or cause to be issued for the account of the Borrower one or more commercial/documentary and standby letters of credit ("Letters of Credit") and (ii) to provide credit support or other enhancement to a Letter of Credit Issuer acceptable to Agent, which issues Letters of Credit for the account of the Borrower (any such credit support or enhancement being herein referred to as a "Credit Support") in accordance with this Section 2.4 from time to time during

the term of this Agreement.

(b) Amounts; Outside Expiration Date. The Agent shall not have any

obligation to take steps to issue or cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit at any time if: (i) the maximum undrawn amount of the requested Letter of Credit is greater than the Unused Letter of Credit Subfacility at such time; (ii) the maximum undrawn amount of the requested Letter of Credit and all commissions, fees, and charges due from the Borrower in connection with the opening thereof exceed the Availability of the Borrower at such time; or (iii) such Letter of Credit has an expiration date later than thirty (30) days prior to the Stated Termination Date or more than twelve (12) months from the date of issuance.

(c) Other Conditions. In addition to being subject to the

satisfaction of the applicable conditions precedent contained in Article 10, the

obligation of the Agent to issue or to cause to be issued any Letter of Credit or to provide Credit Support for any Letter of Credit is subject to the following conditions precedent having been satisfied in a manner satisfactory to the Agent:

(1) The Borrower shall have delivered to the Letter of Credit Issuer, at such times and in such manner as such Letter of Credit Issuer may prescribe, an application in form and substance satisfactory to such Letter of Credit Issuer and the Agent for the issuance of the Letter of Credit and such other documents as may be required pursuant to the terms thereof, and the form and terms of the proposed Letter of Credit shall be satisfactory to the Agent and the Letter of Credit Issuer; and

(2) As of the date of issuance, no order of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to money center

-35-

banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed Letter of Credit Issuer refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit.

(d) Issuance of Letters of Credit.

(1) Request for Issuance. The Borrower shall give the Agent three

(3) Business Days prior written notice of the Borrower's request for the issuance of a Letter of Credit. Such notice shall be irrevocable and shall specify the original face amount of the Letter of Credit requested, the effective date (which date shall be a Business Day) of issuance of such requested Letter of Credit, whether such Letter of Credit may be drawn in a single or in partial draws, the date on which such requested Letter of Credit is to expire (which date shall be a Business Day), the purpose for which such Letter of Credit is to be issued, and the beneficiary of the requested Letter of Credit. The Borrower shall attach to such notice the proposed form of the Letter of Credit.

(2) Responsibilities of the Agent; Issuance. The Agent shall

determine, as of the Business Day immediately preceding the requested effective date of issuance of the Letter of Credit set forth in the notice from the Borrower pursuant to Section 2.4(d)(1), (A) the amount of the applicable Unused

Letter of Credit Subfacility and (B) the Availability as of such date. If (i) the undrawn amount of the requested Letter of Credit is not greater than the Unused Letter of Credit Subfacility and (ii) the issuance of such requested Letter of Credit and all commissions, fees, and charges due from the Borrower in connection with the opening thereof would not exceed the Availability of the Borrower, the Agent shall, so long as the other conditions hereof are met, issue or cause the Letter of Credit Issuer, if not the Bank, to issue the requested

Letter of Credit on such requested effective date of issuance.

(3) Notice of Issuance. On each Settlement Date, the Agent shall

give notice to each Lender of the issuance of all Letters of Credit issued since the last Settlement Date.

(4) No Extensions or Amendment. The Agent shall not be obligated to

extend or amend any Letter of Credit issued hereunder unless the requirements of this Section 2.4 are met as though a new Letter of Credit were being requested

and issued. With respect to any Letter of Credit which contains any "evergreen" or automatic renewal provision, each Lender shall be deemed to have consented to any such extension or renewal unless any such Lender shall have provided to the Agent, not less than 30 days prior to the last date on which the applicable issuer can in accordance with the terms of the applicable Letter of Credit decline to extend or renew such Letter of Credit, written notice that it declines to consent to any such extension or renewal; provided, that if all of the requirements of this Section 2.4 are met and no Default or Event of Default

exists, no Lender shall decline to consent to any such extension or renewal.

-36-

(e) Payments Pursuant to Letters of Credit.

(1) Payment of Letter of Credit Obligations. The Borrower agrees to

reimburse immediately the Letter of Credit Issuer for any draw under any Letter of Credit and the Agent for the account of the Lenders upon any payment pursuant to any Credit Support immediately upon demand, and to pay the Letter of Credit Issuer the amount of all other obligations and other amounts payable to such Letter of Credit Issuer under or in connection with any Letter of Credit immediately when due, irrespective of any claim, setoff, defense or other right which the Borrower may have at any time against such issuer or any other Person.

(2) Revolving Loans to Satisfy Reimbursement Obligations. In the

event that the Letter of Credit Issuer of any Letter of Credit honors a draw under such Letter of Credit or the Agent shall have made any payment pursuant to any Credit Support and the Borrower shall not have repaid such amount to the Letter of Credit Issuer of such Letter of Credit or the Agent, as applicable, pursuant to Section 2.4(e)(1), the Agent shall, upon receiving notice of such

failure, notify each Lender of such failure, and each Lender shall unconditionally pay to the Agent, for the account of the Letter of Credit Issuer or the Agent, as applicable, as and when provided hereinbelow, an amount equal to such Lender's Pro Rata Share of the amount of such payment in Dollars and in same day funds. If the Agent so notifies the Lenders prior to 12:00 noon (Pasadena, California time) on any Business Day, each Lender shall make available to the Agent the amount of such payment, as provided in the immediately preceding sentence, on such Business Day. Such amounts paid by the Lenders to the Agent shall constitute Revolving Loans which shall be deemed to have been requested by the Borrower pursuant to Section 2.2 as set forth in

Section 4.7.

(f) Participations.

(1) Purchase of Participations. Immediately upon issuance of any

Letter of Credit in accordance with Section 2.4(d), each Lender shall be deemed

to have irrevocably and unconditionally purchased and received without recourse or warranty, an undivided interest and participation equal to such Lender's Pro Rata Share of the face amount of such Letter of Credit or the Credit Support provided through the Agent to the Letter of Credit Issuer, if not the Agent, in connection with the issuance of such Letter of Credit (including all obligations of the Borrower with respect thereto, and any security therefor or guaranty pertaining thereto).

(2) Sharing of Reimbursement Obligation Payments. Whenever the Agent

receives a payment from the Borrower on account of reimbursement obligations in respect of a Letter of Credit or Credit Support as to which the Agent has previously received for the account of the Letter of Credit Issuer thereof payment from a Lender pursuant to Section 2.4(e)(2), the Agent shall promptly

pay to such Lender such Lender's Pro Rata Share of such payment from the Borrower in Dollars. Each such payment shall be made by the Agent on the Business Day on which the Agent receives

immediately available funds paid to such Person pursuant to the immediately preceding sentence, if received prior to 1:00 p.m. (Pasadena, California time) on such Business Day and otherwise on the next succeeding Business Day.

(3) Documentation. Upon the request of any Lender, the Agent shall

furnish to such Lender copies of any Letter of Credit, reimbursement agreements executed in connection therewith, application for any Letter of Credit and credit support or enhancement provided through the Agent in connection with the issuance of any Letter of Credit, and such other documentation as may reasonably be requested by such Lender.

(4) Obligations Irrevocable. The obligations of each Lender to make

payments to the Agent with respect to any Letter of Credit or with respect to any Credit Support provided through the Agent with respect to a Letter of Credit, and the obligations of the Borrower to make payments to the Agent, for the account of the Lenders, shall be irrevocable, not subject to any qualification or exception whatsoever, including any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender, the Agent, the issuer of such Letter of Credit, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between the Borrower or any other Person and the beneficiary named in any Letter of Credit);

(iii) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(v) the occurrence of any Default or Event of Default.

(g) Recovery or Avoidance of Payments. In the event any payment by or on

behalf of the Borrower received by the Agent with respect to any Letter of Credit or Credit Support provided for any Letter of Credit and distributed by the Agent to the Lenders on account of their respective participations therein is thereafter set aside, avoided or recovered from the Agent in connection with any receivership, liquidation or bankruptcy proceeding, the Lenders shall, upon demand by the Agent, pay to the Agent their respective Pro Rata Shares of such

amount set aside, avoided or recovered, together with interest at the rate required to be paid by the Agent upon the amount required to be repaid by it.

(h) Compensation for Letters of Credit.

(1) Letter of Credit Fee. The Borrower agrees to pay to the Agent

with respect to each Letter of Credit, for the account of the Lenders, the Letter of Credit Fee specified in, and in accordance with the terms of, Section

3.6.
- - -

(2) Issuer Fees and Charges. The Borrower shall pay to the Letter of

Credit Issuer of any Letter of Credit, or to the Agent for the account of the Letter of Credit Issuer of any such Letter of Credit, solely for such Letter of Credit Issuer's account, such fees and other charges as are charged by such Letter of Credit Issuer for letters of credit issued by it, including its standard fees for issuing, administering, amending, renewing, paying and canceling letters of credit and all other fees associated with issuing or servicing letters of credit, as and when assessed.

(i) Indemnification; Exoneration; Power of Attorney.

(1) Indemnification. In addition to amounts payable as elsewhere

provided in this Section 2.4, in Section 15.11 and pursuant to any indemnity

agreement contained in any letter of credit agreement between the Borrower and any Letter of Credit Issuer (whether now existing or hereafter arising), the Borrower hereby agrees to protect, indemnify, pay and save the Lenders and the Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which any Lender or the Agent (other than the Agent in its capacity as Letter of Credit Issuer) may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit or the provision of any credit support or enhancement in connection therewith. The agreement in this Section

2.4(i) (1) shall survive payment of all Obligations. Nothing contained in this

Agreement is intended to limit or waive the Borrower's rights, if any, with respect to the Letter of Credit Issuer which arise by operation of law or as a result of the letter of credit application and related documents executed by and between the Borrower and the Letter of Credit Issuer.

(2) Assumption of Risk by the Borrower. As among the Borrower, the

Lenders, and the Agent, the Borrower assumes all risks of the acts and omissions of, or misuse of any of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Lenders and the Agent shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any Person in connection with the application for and issuance of and presentation of drafts with respect to any of the Letters of Credit, even if it should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) the failure of the beneficiary of any Letter of

-39-

Credit to comply duly with conditions required in order to draw upon such Letter of Credit; (D) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order make a drawing under any Letter of Credit or of the proceeds thereof; (G) the misapplication by the beneficiary of any Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (H) any consequences arising from causes beyond the control of the Lenders or the Agent, including any act or omission, whether rightful or wrongful, of any present or future de jure or de

facto Governmental Authority. None of the foregoing shall affect, impair or

prevent the vesting of any rights or powers of the Agent or any Lender under this Section 2.4(i).

(3) Exoneration. In furtherance and extension, and not in limitation,

of the specific provisions set forth above, any action taken or omitted by the Agent or any Lender under or in connection with any of the Letters of Credit or any related certificates, if taken or omitted in good faith, shall not put the Agent or any Lender under any resulting liability to the Borrower or relieve the Borrower of any of its obligations hereunder to any such Person.

(4) Indemnification by Lenders. The Lenders agree to indemnify the

Letter of Credit Issuer (to the extent not reimbursed by the Borrower and without limiting the obligations of Borrower hereunder) ratably in accordance with their respective Pro Rata Shares, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Letter of Credit Issuer in any way relating to or arising out of any Letter of Credit or the transactions contemplated thereby or any action taken or omitted by the Letter of Credit Issuer under any Letter of Credit or any Loan Document in connection therewith; provided that no Lender shall be liable for any of the foregoing to

the extent it arises from the gross negligence or willful misconduct of the person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Letter of Credit Issuer promptly upon demand for its Pro Rata Share of any costs or expenses payable by Borrower to the Letter of Credit Issuer, to the extent that the Letter of Credit Issuer is not promptly reimbursed for such costs and expenses by Borrower. The agreement contained in this section shall survive payment in full of all Obligations.

(5) Account Party. The Borrower hereby authorizes and directs any

Letter of Credit Issuer to name the Borrower as the "Account Party" therein and to deliver to the Agent all instruments, documents and other writings and property received by the Letter of Credit Issuer pursuant to the Letter of Credit, and to accept and rely upon the Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit or the application therefor.

-40-

(j) Supporting Letter of Credit; Cash Collateral. If, notwithstanding the

provisions of Section 2.4(b) and Section 12.1 any Letter of Credit is

outstanding upon the termination of this Agreement, then upon such termination the Borrower shall deposit with the Agent, for the ratable benefit of the Agent and the Lenders, with respect to each Letter of Credit then outstanding, as the Majority Lenders, in their discretion shall specify, either (A) a standby letter of credit (a "Supporting Letter of Credit") in form and substance satisfactory to the Agent, issued by an issuer satisfactory to the Agent in an amount equal to the greatest amount for which such Letter of Credit may be drawn plus any fees and expenses associated with such Letter of Credit, under which Supporting Letter of Credit the Agent is entitled to draw amounts necessary to reimburse the Agent and the Lenders for payments to be made by the Agent and the Lenders under such Letter of Credit or under any credit support or enhancement provided through the Agent with respect thereto and any fees and expenses associated with such Letter of Credit, or (B) cash in amounts necessary to reimburse the Agent and the Lenders for payments made by the Agent or the Lenders under such Letter of Credit or under any credit support or enhancement provided through the Agent with respect thereto and any fees and expenses associated with such Letter of Credit. Such Supporting Letter of Credit or deposit of cash shall be held by the Agent, for the ratable benefit of the Agent and the Lenders, as security for, and to provide for the payment of, the aggregate undrawn amount of such Letters of Credit remaining outstanding.

ARTICLE 3

INTEREST AND FEES

.1 Interest.

(a) Interest Rates. All outstanding Obligations shall bear interest

on the unpaid principal amount thereof (including, to the extent permitted by law, on interest thereon not paid when due) from the date made until paid in full in cash at a rate determined by reference to the Base Rate or the LIBOR Rate and Sections 3.1(a)(i) or (ii), as applicable, but not to exceed the

Maximum Rate described in Section 3.3. Subject to the provisions of Section 3.2,

any of the Loans may be converted into, or continued as, Base Rate Loans or LIBOR Rate Loans in the manner provided in Section 3.2. If at any time Loans are

outstanding with respect to which notice has not been delivered to the Agent in accordance with the terms of this Agreement specifying the basis for determining the interest rate applicable thereto, then those Loans shall be Base Rate Loans and shall bear interest at a rate determined by reference to the Base Rate until notice to the contrary has been given to the Agent in accordance with this Agreement and such notice has become effective. Except as otherwise provided herein, the outstanding Obligations shall bear interest as follows:

(i) For all Base Rate Loans and other Obligations (other than LIBOR Rate Loans) at a fluctuating per annum rate equal to the Base Rate plus the Applicable Margin; and

-41-

(ii) For all LIBOR Rate Loans at a per annum rate equal to the LIBOR Rate plus the Applicable Margin.

Each change in the Base Rate shall be reflected in the interest rate described in clause (i) above as of the effective date of such change. All interest charges shall be computed on the basis of a year of 360 days and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest accrued on all Loans will be payable in arrears on the first day of each month hereafter.

(b) Default Rate. If any Default or Event of Default occurs and is

continuing and the Majority Lenders in their discretion so elect, then, while any such Default or Event of Default is outstanding, all of the Obligations

shall bear interest at the Default Rate applicable thereto.

.2 Conversion and Continuation Elections. (a) The Borrower may, upon

irrevocable written notice to the Agent in accordance with Section 3.2(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans to convert any such Loans (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof) into LIBOR Rate Loans; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Rate Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof);

provided, that if at any time the aggregate amount of LIBOR Rate Loans in

respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$5,000,000, such LIBOR Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, LIBOR Rate Loans, as the case may be, shall terminate.

(b) The Borrower shall deliver a notice of conversion/continuation in the form of Exhibit C ("Notice of Conversion/Continuation") to be received by

the Agent not later than 11:00 a.m. (Pasadena, California time) at least three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as LIBOR Rate Loans and specifying:

- (i) the applicable Borrower;
- (ii) the proposed Conversion/Continuation Date;
- (iii) the aggregate amount of Loans to be converted or renewed;

-42-

(iv) the type of Loans resulting from the proposed conversion or continuation; and

(v) the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to LIBOR Rate Loans, the Borrower has failed to select timely a new Interest Period to be applicable to LIBOR Rate Loans or if any Default or Event of Default then exists, the Borrower shall be deemed to have elected to convert such LIBOR Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Lender of its receipt of a Notice of Conversion/Continuation. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Lender.

(e) During the existence of a Default or Event of Default, the Borrower may not elect to have a Loan converted into or continued as a LIBOR Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, there may not be more than five different Interest Periods in effect hereunder.

.3 Maximum Interest Rate. In no event shall any interest rate provided

for hereunder exceed the maximum rate legally chargeable by any Lender under applicable law for such Lender with respect to loans of the type provided for hereunder (the "Maximum Rate"). If, in any month, any interest rate, absent such limitation, would have exceeded the Maximum Rate, then the interest rate for that month shall be the Maximum Rate, and, if in future months, that interest rate would otherwise be less than the Maximum Rate, then that interest rate shall remain at the Maximum Rate until such time as the amount of interest paid hereunder equals the amount of interest which would have been paid if the same had not been limited by the Maximum Rate. In the event that, upon payment in full of the Obligations, the total amount of interest paid or accrued under the terms of this Agreement is less than the total amount of interest which would, but for this Section 3.3, have been paid or accrued if the interest rates

otherwise set forth in this Agreement had at all times been in effect, then the Borrower shall, to the extent permitted by applicable law, pay the Agent, for the account of the Lenders, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have been charged if the Maximum Rate had, at all times, been in effect or (ii) the amount of interest which would have accrued had the interest rates otherwise set forth in this Agreement, at all times, been in effect over (b) the amount of interest actually paid or

accrued under this Agreement. In the event that a court of competent jurisdiction determines that the Agent and/or any Lender has received interest and other charges hereunder in excess of the Maximum Rate, such excess shall be deemed received on account of, and shall automatically be applied to reduce, the Obligations other than interest, in the inverse order of maturity, and if there are no Obligations outstanding, the Agent and/or such Lender shall refund to the Borrower such excess.

-43-

.4 Arrangement Fee. The Borrower agrees to pay the Agent, for the account

of the Agent and for the account of the Lenders in accordance with their respective Pro Rata Shares, an arrangement fee (the "Arrangement Fee") as required by the Fee Letter, which Arrangement Fee shall be fully earned by the Agent and the Lenders when due as provided in the Fee Letter.

.5 Unused Line Fee. Until the Loans have been paid in full and the

Agreement terminated, the Borrower agrees to pay, on the first day of each month and on the Termination Date, to the Agent, for the account of the Lenders, in accordance with their respective Pro Rata Shares, an unused line fee (the "Unused Line Fee") equal to the Applicable Fee Amount times the amount by which the Maximum Revolver Amount exceeded the sum of the average daily outstanding amount of Revolving Loans and the average daily undrawn face amount of all outstanding Letters of Credit during the immediately preceding month, or shorter period if calculated on the Termination Date. The Unused Line Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed and shall accrue at all times from and after (but not prior to) the Loan Availability Date. All payments received by the Agent on account of Accounts or as proceeds of other Collateral shall be deemed to be credited to the Loan Account immediately upon receipt for purposes of calculating the Unused Line Fee pursuant to this Section 3.5.

.6 Letter of Credit Fee. The Borrower agrees to pay to the Agent, for

the account of the Lenders, in accordance with their respective Pro Rata Shares, for each Letter of Credit, a fee (the "Letter of Credit Fee") equal to the Applicable Fee Amount times the undrawn face amount of each Letter of Credit, plus all out-of-pocket costs, fees and expenses incurred by the Agent in

connection with the application for, processing of, issuance of, or amendment to any Letter of Credit, which costs, fees and expenses could include a "fronting fee" payable to such issuer; The Letter of Credit Fee shall be payable monthly in arrears on the first day of each month following any month in which a Letter of Credit was issued or deemed issued (in the case of any Existing Letter of Credit) and/or in which a Letter of Credit remains outstanding. The Letter of Credit Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

ARTICLE 4

PAYMENTS AND PREPAYMENTS

.1 Revolving Loans. The Borrower shall repay the outstanding principal

balance of the Revolving Loans, plus all accrued but unpaid interest thereon, on the Termination Date. The Borrower may prepay Revolving Loans at any time, and reborrow subject to the terms of this Agreement; provided, however, that with

respect to any LIBOR Rate Loans prepaid by the Borrower prior to the expiration date of the Interest Period applicable thereto, the Borrower promises to pay to the Agent for account of the Lenders the amounts described in Section 5.4. In

addition, and without limiting the generality of the foregoing, upon demand the Borrower promises to pay to the Agent, for account of the Lenders, the amount, without duplication, by which the Aggregate Revolver Outstandings exceed the Borrowing Base.

-44-

.2 Termination of Facility. Effective from and after the Loan

Availability Date, the Borrower may terminate this Agreement upon at least fifteen (15) Business Days' notice to the Agent and the Lenders, upon (a) the payment in full of all outstanding Revolving Loans, together with accrued interest thereon, and the cancellation and return of all outstanding Letters of Credit, (b) the payment of the early termination fee set forth in the next sentence, (c) the payment in full in cash of all other Obligations together with accrued interest thereon, and (d) with respect to any LIBOR Rate Loans prepaid in connection with such termination prior to the expiration date of the Interest Period applicable thereto, the payment of the amounts described in Section 5.4.

If this Agreement is terminated at any time prior to the Stated Termination Date, whether pursuant to this Section or pursuant to Section 11.2, the Borrower

shall pay to the Agent, for the account of the Lenders, an early termination fee determined in accordance with the following table:

<TABLE>
<CAPTION>

Period during which
early termination
occurs

Early Termination
Fee

<S>

On or prior to the first Anniversary Date

<C>

2.0% of the average Loans and Letters of Credit outstanding during the 180 days (or lesser period if within 180 days of the Closing Date) prior to the date of termination.

After the first Anniversary Date but on or prior to the second Anniversary Date

1.0% of the average Loans and Letters of Credit outstanding during the 180 days prior to the date of termination; provided, however, that in the event this

Agreement is terminated after the first Anniversary Date in connection with a refinancing hereof by a credit facility agent by any unit or division of the Bank, no early termination fee shall be charged.

After the second Anniversary Date but sixty (60) days prior to the Stated Termination Date

0.5% of the average Loans and Letters of Credit outstanding during the 180 days prior to the date of termination; provided, however, that in the event this

Agreement is terminated after the first Anniversary Date in connection with a refinancing hereof by a credit facility agent by any unit or division of the Bank, no early termination fee shall be charged.

</TABLE>

.3 Payments by the Borrower. (a) All payments to be made by the Borrower

shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided

-45-

herein, all payments by the Borrower shall be made to the Agent for the account of the Lenders at the Agent's address set forth in Section

15.8, and shall be made in Dollars and in immediately available funds, no later

than 1:00 p.m. (Pasadena, California time) on the date specified herein. Any payment received by the Agent later than 1:00 p.m. (Pasadena, California time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Borrower prior to the date on which any payment is due to the Lenders that the Borrower will not make such payment in full as and when required, the Agent may assume that the Borrower has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower has not made such payment in full to the Agent, each Lender shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

.4 Payments as Revolving Loans. All payments of principal, interest,

reimbursement obligations in connection with Letters of Credit, fees, premiums and other sums payable hereunder, including all reimbursement for expenses pursuant to Section 15.7, may, at the option of the Agent, in its sole

discretion, subject only to the terms of this Section 4.4, be paid from the

proceeds of Revolving Loans made hereunder, whether made following a request by
the Borrower pursuant to Section 2.2 or a deemed request as provided in this

Section 4.4. The Borrower hereby irrevocably authorizes the Agent to charge the

Loan Account for the purpose of paying principal, interest, reimbursement
obligations in connection with Letters of Credit, fees, premiums and other sums
payable hereunder, including reimbursing expenses pursuant to Section 15.7, and

agrees that all such amounts charged shall constitute Revolving Loans (including
Non-Ratable Loans and Agent Advances) and that all such Revolving Loans so made
shall be deemed to have been requested by Borrower pursuant to Section 2.2.

.5 Apportionment, Application and Reversal of Payments. Aggregate

principal and interest payments shall be apportioned ratably among the Lenders
(according to the unpaid principal balance of the Loans to which such payments
relate held by each Lender) and payments of the fees shall, as applicable, be
apportioned ratably among the Lenders. All payments shall be remitted to the
Agent and all such payments not relating to principal or interest of specific
Loans, or not constituting payment of specific fees, and all proceeds of
Accounts or other Collateral received by the Agent, shall be applied, ratably,
subject to the provisions of this Agreement, first, to pay any fees, indemnities

or expense reimbursements then due to the Agent from the Borrower; second, to

pay any fees or expense reimbursements then due to the Lenders from the
Borrower; third, to pay interest due in respect of all Revolving Loans,

including Non-Ratable

-46-

Loans and Agent Advances; fourth, to pay or prepay principal of the Non-Ratable

Loans and Agent Advances; fifth, to pay or prepay principal of the Revolving

Loans (other than Non-Ratable Loans and Agent Advances) and unpaid reimbursement
obligations in respect of Letters of Credit; sixth to any amounts owing under

any Bank Product; and seventh, to the payment of any other Obligation due to the

Agent or any Lender by the Borrower. Notwithstanding anything to the contrary
contained in this Agreement, unless so directed by the Borrower, or unless an
Event of Default is outstanding, neither the Agent nor any Lender shall apply
any payments which it receives to any LIBOR Rate Loan, except (a) on the
expiration date of the Interest Period applicable to any such LIBOR Rate Loan,
or (b) in the event, and only to the extent, that there are no outstanding Base
Rate Loans. The Agent shall promptly distribute to each Lender, pursuant to the
applicable wire transfer instructions received from each Lender in writing, such
funds as it may be entitled to receive, subject to a Settlement delay as
provided for in Section 2.2(j). The Agent and the Lenders shall have the

continuing and exclusive right to apply and reverse and reapply any and all such
proceeds and payments to any portion of the Obligations.

.6 Indemnity for Returned Payments. If, after receipt of any payment of,

or proceeds applied to the payment of, all or any part of the Obligations, the
Agent or any Lender is for any reason compelled to surrender such payment or
proceeds to any Person, because such payment or application of proceeds is
invalidated, declared fraudulent, set aside, determined to be void or voidable
as a preference, impermissible setoff, or a diversion of trust funds, or for any
other reason, then the Obligations or part thereof intended to be satisfied
shall be revived and continue and this Agreement shall continue in full force as
if such payment or proceeds had not been received by the Agent or such Lender,
and the Borrower shall be liable to pay to the Agent, and hereby does indemnify
the Agent and the Lenders and hold the Agent and the Lenders harmless for, the
amount of such payment or proceeds surrendered. The provisions of this Section

4.6 shall be and remain effective notwithstanding any contrary action which may

have been taken by the Agent or any Lender in reliance upon such payment or
application of proceeds, and any such contrary action so taken shall be without
prejudice to the Agent's and the Lenders' rights under this Agreement and shall
be deemed to have been conditioned upon such payment or application of proceeds
having become final and irrevocable. The provisions of this Section 4.6 shall

survive the termination of this Agreement.

.7 Agent's and Lenders' Books and Records; Monthly Statements. The

Borrower agrees that the Agent's and each Lender's books and records showing the Obligations and the transactions pursuant to this Agreement and the other Loan Documents shall be admissible in any action or proceeding arising therefrom, and shall constitute rebuttably presumptive proof thereof, irrespective of whether any Obligation is also evidenced by a promissory note or other instrument. The Agent will provide to the Borrower a monthly statement of Loans, payments, and other transactions pursuant to this Agreement. Such statement shall be deemed correct, accurate, and binding on the Borrower and an account stated (except for reversals and reapplications of payments made as provided in Section 4.5 and

corrections of errors discovered by the Agent), unless the Borrower notifies the Agent in writing to the contrary within thirty (30) days after such statement is rendered. In the event a timely written notice of objections is given

-47-

by the Borrower, only the items to which exception is expressly made will be considered to be disputed by the Borrower.

ARTICLE 5

TAXES, YIELD PROTECTION AND ILLEGALITY

.1 Taxes. (a) Any and all payments by the Borrower to each Lender or the

Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) The Borrower agrees to indemnify and hold harmless each Lender and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Lender or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Lender or the Agent makes written demand therefor.

(c) If the Borrower shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Lender or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrower shall also pay to each Lender or the Agent for the account of such Lender, at the time interest is paid, all additional amounts which the respective Lender specifies as necessary to preserve the after-tax yield the Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Borrower of Taxes or Other Taxes, the Borrower shall furnish the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

-48-

(e) If the Borrower is required to pay additional amounts to any Lender or the Agent pursuant to subsection (c) of this Section, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its lending office so as to eliminate any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of such Lender is not otherwise disadvantageous to such Lender.

.2 Illegality. (a) If any Lender determines that the introduction of any

Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make LIBOR Rate Loans, then, on notice thereof by the Lender to the Borrower through

the Agent, any obligation of that Lender to make LIBOR Rate Loans shall be suspended until the Lender notifies the Agent and the Borrower that the circumstances giving rise to such determination no longer exist.

(b) If a Lender determines that it is unlawful to maintain any LIBOR Rate Loan, the Borrower shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Agent), prepay in full such LIBOR Rate Loans of that Lender then outstanding, together with interest accrued thereon and amounts required under Section 5.4, either on the last day of the

Interest Period thereof, if the Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such LIBOR Rate Loan. If the Borrower is required to so prepay any LIBOR Rate Loan, then concurrently with such prepayment, the Borrower may, at its option, borrow from the affected Lender, in the amount of such repayment, a Base Rate Loan.

.3 Increased Costs and Reduction of Return. (a) If any Lender determines

that, due to either (i) the introduction of or any change in the interpretation of any law or regulation or (ii) the compliance by that Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any LIBOR Rate Loans, or agreeing to issue, issuing, funding or maintaining any Letter of Credit, then the Borrower shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Lender or any corporation or other entity controlling the Lender with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation or other entity controlling the Lender and (taking into consideration such Lender's or such corporation's or other entity's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitments, loans, credits or

-49-

obligations under this Agreement, then, upon demand of such Lender to the Borrower through the Agent, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender for such increase.

.4 Funding Losses. The Borrower shall reimburse each Lender and hold each

Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of:

(a) the failure of the Borrower to make on a timely basis any payment of principal of any LIBOR Rate Loan;

(b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation;

(c) the prepayment or other payment (including after acceleration thereof) of an LIBOR Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its LIBOR Rate Loans or from fees payable to terminate the deposits from which such funds were obtained.

.5 Inability to Determine Rates. If the Agent determines that for any

reason adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan, or that the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBOR Rate Loans hereunder shall be suspended until the Agent revokes such notice in writing. Upon receipt of such notice, the Borrower may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Borrower does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Borrower, in the amount specified in the applicable notice submitted by the Borrower, but such Loans shall be made, converted or continued as Base Rate Loans instead of LIBOR Rate Loans.

.6 Certificates of Lenders. Any Lender claiming reimbursement or

compensation under this Article 5 shall deliver to the Borrower (with a copy to the Agent) a certificate setting forth in reasonable detail the amount payable to the Lender hereunder and such certificate shall be conclusive and binding on the Borrower in the absence of manifest error.

.7 Survival. The agreements and obligations of the Borrower in this

Article 5 shall survive the payment of all other Obligations.

-50-

ARTICLE 6

COLLATERAL

.1 Grant of Security Interest. (a) As security for all Obligations, the

Borrower hereby grants to the Agent, for the benefit of the Agent and the Lenders, a continuing security interest in, lien on, assignment of and right of set-off against, all of the following property and assets of the Borrower, whether now owned or existing or hereafter acquired or arising, regardless of where located:

(i) all Accounts (including any credit enhancement therefor);

(ii) all Inventory;

(iii) all chattel paper, instruments and documents;

(iv) all General Intangibles;

(v) all money, cash, cash equivalents, securities and other property of any kind of the Borrower held directly or indirectly by the Agent or any Lender;

(vi) all of the Borrower's deposit accounts, credits, and balances with and other claims against the Agent or any Lender or any of their Affiliates, including any Payment Account;

(vii) all books, records and other property related to or referring to any of the foregoing, including books, records, account ledgers, data processing records, computer software and other property and General Intangibles at any time evidencing or relating to any of the foregoing; and

(viii) all accessions to, substitutions for and replacements, products and proceeds of any of the foregoing, including, but not limited to, proceeds of any insurance policies and claims against third parties with respect to all or any of the foregoing.

All of the foregoing and all other property of the Borrower in which the Agent or any Lender may at any time be granted a Lien, is herein collectively referred to as the "Collateral." Notwithstanding the foregoing provisions of this Section 6.1, such grant of a security interest shall not extend to, and the term

"Collateral" shall not include, any General Intangibles of the Borrower consisting of licenses, leases or other contracts or any Accounts payable to the Parent by the German Subsidiary (such Accounts, the "German Subsidiary Accounts"), to the extent that (i) such General Intangibles or German Subsidiary Accounts are not assignable or capable of

-51-

being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (ii) such consent has not been obtained; provided, however, that the foregoing

grant of security interest shall extend to, and the term "Collateral" shall include (but subject to the exclusions from the definition of General Intangibles set forth in clauses (a) and (b) of such definition), (A) any General Intangible which is a proceed of, or otherwise related to the enforcement or collection of, any Account (other than any German Subsidiary Account which is excludable as provided above), (B) any and all proceeds of any General Intangibles and of the German Subsidiary Accounts which are otherwise excluded to the extent that the assignment or encumbrance of such proceeds is not so restricted, and (C) upon obtaining the consent of any such licensor, lessor or other applicable party with respect to any such otherwise excluded General Intangibles or German Subsidiary Accounts (it being understood by the

parties that the Borrower shall be under no obligation hereunder to obtain any such consent), such General Intangibles and German Subsidiary Accounts, as well as any and all proceeds thereof, that might have theretofore have been excluded from such grant of a security interest and the term "Collateral."

(b) All of the Obligations shall be secured by all of the Collateral.

.2 Perfection and Protection of Security Interest. (a) The Borrower shall,

at its expense, perform all steps requested by the Agent at any time to perfect, maintain, protect, and enforce the Agent's Liens, including: (i) executing and filing financing or continuation statements, and amendments thereof, in form and substance satisfactory to the Agent; (ii) delivering to the Agent the originals of all instruments, documents, and chattel paper, and all other Collateral of which the Agent determines it should have physical possession in order to perfect and protect the Agent's security interest therein, duly pledged, endorsed or assigned to the Agent without restriction; (iii) delivering to the Agent warehouse receipts covering any portion of the Collateral located in warehouses and for which warehouse receipts are issued and certificates of title covering any portion of the collateral for which certificates of title have been issued; (iv) when an Event of Default exists, transferring Inventory to warehouses designated by the Agent; (v) placing notations on the Borrower's books of account to disclose the Agent's security interest; (vii) delivering to the Agent all letters of credit on which the Borrower is named beneficiary; and (viii) taking such other steps as are reasonably deemed necessary or desirable by the Agent to maintain and protect the Agent's Liens. To the extent permitted by applicable law, the Agent may file, without the Borrower's signature, one or more financing statements disclosing the Agent's Liens. The Borrower agrees that a carbon, photographic, photostatic, or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

(b) If any Collateral is at any time in the possession or control of any warehouseman, bailee or any of the Borrower's agents or processors, then the Borrower shall notify the Agent thereof and shall, at the request of Agent, notify such Person of the Agent's security interest in such Collateral and instruct such Person to hold all such Collateral for the Agent's account subject to the Agent's instructions. If at any time any Collateral is located on any operating facility of the Borrower which is not owned by the Borrower, then the Borrower

-52-

shall, at the request of the Agent, obtain written subordinations, in form and substance satisfactory to the Agent, of all present and future Liens to which the owner or lessor of such premises may be entitled to assert against the Collateral.

(c) From time to time, the Borrower shall, upon the Agent's request, execute and deliver confirmatory written instruments pledging to the Agent, for the ratable benefit of the Agent and the Lenders, the Collateral with respect to the Borrower, but the Borrower's failure to do so shall not affect or limit any security interest or any other rights of the Agent or any Lender in and to the Collateral with respect to the Borrower. So long as this Agreement is in effect and until all Obligations have been fully satisfied, the Agent's Liens shall continue in full force and effect in all Collateral (whether or not deemed eligible for the purpose of calculating the Availability or as the basis for any advance, loan, extension of credit, or other financial accommodation).

.3 Location of Collateral. The Borrower represents and warrants to the

Agent and the Lenders that: (a) Schedule 6.3 is a correct and complete list of

the Borrower's chief executive office, the location of its books and records and the locations of the Collateral; and (b) Schedule 6.3 correctly identifies any

of such facilities and locations that are not owned by the Borrower. The Borrower covenants and agrees that it will not (i) maintain any Collateral at any location other than those locations listed for the Borrower on Schedule 6.3,

(ii) otherwise change or add to any of such locations, or (iii) change the location of its chief executive office from the location identified in Schedule 6.3, unless it gives the Agent at least thirty (30) days' prior

written notice thereof and executes any and all financing statements and other documents that the Agent reasonably requests in connection therewith. Without limiting the foregoing, the Borrower represents that all of its Inventory (other than Inventory in transit) is, and covenants that all of its Inventory will be, located either (a) on premises owned by the Borrower, (b) on premises leased by the Borrower, provided that the Agent has, if reasonably requested by the Agent, received an executed landlord waiver from the landlord of such premises in form and substance satisfactory to the Agent, or (c) in a warehouse or with a bailee, provided that the Agent has, if reasonably requested by the Agent, received an executed bailee letter from the applicable Person in form and substance reasonably satisfactory to the Agent.

.4 Title to, Liens on, and Sale and Use of Collateral. The Borrower

represents and warrants to the Agent and the Lenders and agrees with the Agent and the Lenders that: (a) all of the Collateral is and will continue to be owned by the Borrower free and clear of all Liens whatsoever, except for Permitted Liens; (b) the Agent's Liens in the Collateral will not be subject to any prior Lien; (c) the Borrower will use, store, and maintain the Collateral with all reasonable care and will use such Collateral for lawful purposes only; and (d) the Borrower will not, without the Agent's prior written approval, sell, or dispose of or permit the sale or disposition of any of the Collateral except for sales for scrap of excess or no-movement Inventory and other Inventory in the ordinary course of business. The inclusion of proceeds in the Collateral shall not be deemed to constitute the Agent's or any Lender's consent to any sale or other disposition of the Collateral except as expressly permitted herein.

-53-

.5 Appraisals. Whenever an Event of Default exists, and at such other

times not more frequently than once a year as the Agent requests, the Borrower shall, at its expense and upon the Agent's request, provide the Agent with appraisals or updates thereof of any or all of the Collateral from an appraiser, and prepared on a basis, reasonably satisfactory to the Agent, such appraisals and updates to include, without limitation, information required by applicable law and regulation and by the internal policies of the Lenders.

.6 Access and Examination; Confidentiality. (a) The Agent, accompanied by

any Lender which so elects, may, at Borrower's expense, at all reasonable times during regular business hours (and at any time when an Event of Default exists and is continuing) have access to, examine, audit, make extracts from or copies of and inspect any or all of the Borrower's records, files, and books of account and the Collateral, and discuss the Borrower's affairs with the Borrower's officers and management; provided that the Agent and the Lenders agree that,

unless an Event of Default has occurred and is continuing, the Agent shall not conduct any such examination, audit or other inspection more than (i) two times in any calendar year at any time prior to the first date, if any, on which the Loan to Availability Ratio is equal to or greater than 50% for fifteen (15) consecutive days (such date, a "Trigger Date") and (ii) four times in any calendar year at any time thereafter; provided, further, that if after any

Trigger Date the Loan to Availability Ratio is less than 50% for 120 consecutive days (such 120th day, a "Shut-Off Date") then, from and after such Shut-Off Date, the Agent and the Lenders agree that, unless an Event of Default has occurred and is continuing, the Agent shall not conduct any such examination, audit or other inspection more than (x) two times during the portion of the calendar year then remaining after such Shut-Off Date (and in no event more than four times in all of such calendar year) and in any calendar year thereafter until the next Trigger Date, if any, and (y) four times in any calendar year at any time thereafter until the next Shut-Off Date, if any. The parties agree that the immediately preceding proviso shall govern the permitted frequency of examinations, audits and other inspections conducted by the Agent pursuant to this Section 6.6 in respect of each subsequent Trigger Date and Shut-Off Date occurring thereafter. The parties further agree that the Agent may conduct additional examinations, audits or other inspections, at the expense of the Agent and the Lenders, at all reasonable times during regular business hours, in addition to those contemplated above in this Section 6.6. The Borrower will

deliver to the Agent any instrument necessary for the Agent to obtain records from any service bureau maintaining records for the Borrower. The Agent may, and at the direction of the Majority Lenders shall, at any time when a Default or Event of Default exists, and at the Borrower's expense, make copies of all of the Borrower's books and records relating to the Collateral and all relevant financial records, or require the Borrower to deliver such copies to the Agent. The Agent may, without expense to the Agent, use such of the Borrower's respective personnel, supplies, and premises as may be reasonably necessary for maintaining or enforcing the Agent's Liens. The Agent shall have the right, at any time, in the Agent's name or in the name of a nominee of the Agent, to verify the validity, amount or any other matter relating to the Accounts, Inventory, or other Collateral, by mail, telephone, or otherwise.

(b) The Borrower agrees that, subject to the Borrower's prior consent for uses other than in a traditional tombstone, the Agent and each Lender may use the Borrower's name in advertising and promotional material and in conjunction therewith disclose the general terms

-54-

of this Agreement. The Agent and each Lender severally agree to take commercially reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Borrower and provided to the Agent or such Lender by or on behalf of the Borrower, under this Agreement or any other Loan Document, and neither the Agent, nor such Lender nor any of their respective Affiliates shall use any such

information other than in connection with or in enforcement of this Agreement and the other Loan Documents, except to the extent that such information (i) was or becomes generally available to the public other than as a result of disclosure by the Agent or such Lender, or (ii) was or becomes available on a nonconfidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Borrower known to the Agent or such Lender; provided, however, that the Agent and any Lender may

disclose such information (1) at the request or pursuant to any requirement of any Governmental Authority to which the Agent or such Lender is subject or in connection with an examination of the Agent or such Lender by any such Governmental Authority; (2) pursuant to subpoena or other court process; (3) when required to do so in accordance with the provisions of any applicable Requirement of Law; (4) to the extent reasonably required in connection with any litigation or proceeding (including, but not limited to, any bankruptcy proceeding) to which the Agent, any Lender or their respective Affiliates may be party; (5) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (6) to the Agent's or such Lender's independent auditors, accountants, attorneys and other professional advisors; (7) to any prospective Participant or Assignee under any Assignment and Acceptance, actual or potential, provided that such prospective Participant or Assignee agrees to keep such information confidential to the same extent required of the Agent and the Lenders hereunder; (8) as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower is party or is deemed party with the Agent or such Lender, and (9) to its Affiliates, provided that such Affiliates agree to be bound by the confidentiality provisions of this Section 6.6.

.7 Collateral Reporting. The Borrower shall provide the Agent with the

following documents at the following times in form satisfactory to the Agent: (a) on a monthly basis, at any time prior to the first date, if any, on which either (i) the Loan to Availability Ratio is equal to or greater than 40% for five (5) consecutive Business Days or (ii) Availability as of the close of Agent's business is less than \$50,000,000 (either of such dates, a "Trigger Date"), and on a weekly basis thereafter, a schedule of the Borrower's Accounts created since the last such schedule, which schedule shall also identify any collections, credits and other adjustments in respect of the Borrower's Accounts since the last such schedule, and a Borrowing Base Certificate; provided,

however, that if after any Trigger Date the Loan to Availability Ratio is less

than 40% for 120 consecutive days (such 120th day, a "Shut-Off Date") then, from and after such Shut-Off Date, the Agent and the Lenders agree that the Borrower shall only be required to deliver each such schedule of Borrower's Accounts and each such Borrowing Base Certificate on a monthly basis until the next Trigger Date, if any, and on a weekly basis thereafter until the next Shut-Off Date, if any (the parties agree that the immediately preceding proviso shall govern the required frequency of the Borrower's delivery of schedules of Borrower's Accounts and Borrowing Base Certificates pursuant to this Section 6.7 in respect of each subsequent Trigger Date and Shut-Off Date occurring thereafter); (b) on a monthly basis, (i) an aging of the

-55-

Borrower's Accounts, together with a reconciliation to the previous month's or week's, as the case may be, aging of the Borrower's Accounts and to the Borrower's general ledger; (ii) an aging of the Borrower's accounts payable; and (iii) Inventory reports by category, with additional detail showing additions to and deletions from the Inventory; (c) upon request, copies of invoices in connection with the Accounts, customer statements, credit memos, remittance advices and reports, deposit slips, shipping and delivery documents in connection with the Borrower's Accounts and for Inventory and Equipment acquired by the Borrower, purchase orders and invoices; (d) upon request, a statement of the balance of each of the Intercompany Accounts; (e) such other reports as to the Collateral as the Agent shall reasonably request from time to time; and (f) with the delivery of each of the foregoing, a certificate of the Borrower executed by an officer thereof certifying as to the accuracy and completeness of the foregoing. If any of the Borrower's records or reports of the Collateral are prepared by an accounting service or other agent, the Borrower hereby authorizes such service or agent to deliver such records, reports, and related documents to the Agent, for distribution to the Lenders.

.8 Accounts. (a) The Borrower hereby represents and warrants to the Agent

and the Lenders, with respect to the Borrower's Accounts, that: (i) each existing Account represents, and each future Account will represent, a bona fide

sale or lease and delivery of goods by the Borrower, or rendition of services by the Borrower, in the ordinary course of the Borrower's business; (ii) each existing Account is, and each future Account will be, for a liquidated amount payable by the Account Debtor thereon on the terms set forth in the invoice therefor or in the schedule thereof delivered to the Agent, without any offset, deduction, defense, or counterclaim except those known to the Borrower and

disclosed to the Agent and the Lenders pursuant to this Agreement; (iii) no payment will be received with respect to any Account, and no credit, discount, or extension, or agreement therefor will be granted on any Account, except as reported to the Agent and the Lenders in accordance with this Agreement; (iv) each copy of an invoice delivered to the Agent by the Borrower will be a genuine copy of the original invoice sent to the Account Debtor named therein; and (v) all goods described in any invoice representing a sale of goods will have been delivered to the Account Debtor and all services of the Borrower described in each invoice will have been performed.

(b) The Borrower shall not re-date any invoice or sale or make sales on extended dating beyond that customary in the Borrower's business or extend or modify any Account. If the Borrower becomes aware of any matter adversely affecting the collectability of any Account or Account Debtor involving an amount greater than \$200,000, including information regarding the Account Debtor's creditworthiness, the Borrower will promptly so advise the Agent.

(c) The Borrower shall not accept any note or other instrument (except a check or other instrument for the immediate payment of money) with respect to any Account without the Agent's written consent. If the Agent consents to the acceptance of any such instrument, it shall be considered as evidence of the Account and not payment thereof and the Borrower will promptly deliver such instrument to the Agent, endorsed by the Borrower to the Agent in a manner satisfactory in form and substance to the Agent. Regardless of the form of presentment, demand, notice of protest with respect thereto, the Borrower shall remain liable thereon until such instrument is paid in full.

-56-

(d) The Borrower shall notify the Agent promptly of all disputes and claims in excess of \$1,000,000 with any Account Debtor, and agrees to settle, contest, or adjust such dispute or claim at no expense to the Agent or any Lender. No discount, credit or allowance shall be granted to any such Account Debtor without the Agent's prior written consent, except for discounts, credits and allowances made or given in the ordinary course of the Borrower's business when no Event of Default exists hereunder. The Borrower shall send the Agent a copy of each credit memorandum in excess of \$1,000,000 as soon as issued. The Agent may, and at the direction of the Majority Lenders shall, at all times when an Event of Default exists hereunder, settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which the Agent or the Majority Lenders, as applicable, shall consider advisable and, in all cases, the Agent will credit the Borrower's Loan Account with only the net amounts received by the Agent in payment of any Accounts.

(e) If an Account Debtor returns any Inventory to the Borrower when no Event of Default exists, then the Borrower shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. The Borrower shall immediately report to the Agent any return involving an amount in excess of \$1,000,000. Each such report shall indicate the reasons for the returns and the locations and condition of the returned Inventory. In the event any Account Debtor returns Inventory to the Borrower when an Event of Default exists, the Borrower, upon request of the Agent, shall: (i) hold the returned Inventory in trust for the Agent; (ii) segregate all returned Inventory from all of its other property; (iii) dispose of the returned Inventory solely according to the Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without the Agent's prior written consent. All returned Inventory shall be subject to the Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory

.9 Collection of Accounts; Payments. (a) The Borrower shall establish a

service for collections of Accounts at a Clearing Bank acceptable to the Agent and subject to a Blocked Account Agreement. The Borrower shall instruct all Account Debtors to make all payments directly to the address established for such service. If, notwithstanding such instructions, the Borrower receives any proceeds of Accounts, it shall receive such payments as the Agent's trustee, and shall immediately deliver such payments to the Agent in their original form duly endorsed in blank or deposit them into a Payment Account, as the Agent may direct. All collections received in any such Payment Account or directly by the Borrower or the Agent, and all funds in any Payment Account or other account to which such collections are deposited shall be subject to the Borrower's control at any time prior to the first date, if any, on which the Loan to Availability Ratio exceeds 50% and to the Agent's sole control thereafter. The Agent or the Agent's designee may, at any time after the occurrence of an Event of Default, notify Account Debtors that the Accounts have been assigned to the Agent and of the Agent's security interest therein, and may collect them directly and charge the collection costs and expenses to the Loan Account as a Revolving Loan. So long as an Event of Default has occurred and is continuing, the Borrower, at the Agent's request, shall execute and deliver to the Agent such documents as the Agent shall require to grant the Agent access to any post office box in which collections of Accounts are received.

-57-

(b) If sales of Inventory are made or services are rendered for cash, the Borrower shall immediately deliver to the Agent or deposit into a Payment Account the cash which the Borrower receives.

(c) All payments, including immediately available funds received by the Agent at a bank designated by it, received by the Agent, whether or not on account of Accounts or as proceeds of other Collateral, will be credited to the Loan Account (conditional upon final collection) after allowing one (1) Business Day for collection; provided, however, that such payments shall be deemed to be

credited to the Loan Account immediately upon receipt for purposes of (i) determining Availability, (ii) calculating the Unused Line Fee pursuant to Section 3.5, and (iii) calculating the amount of interest accrued thereon solely

for purposes of determining the amount of interest to be distributed by the Agent to the Lenders (but not the amount of interest payable by the Borrower).

(d) In the event the Borrower repays all of the Obligations upon the termination of this Agreement or upon acceleration of the Obligations, other than through the Agent's receipt of payments on account of the Accounts or proceeds of the other Collateral, such payment will be credited (conditional upon final collection) to the Loan Account one (1) Business Day after the Agent's receipt of such funds.

.10 Inventory; Perpetual Inventory. The Borrower represents and warrants

to the Agent and the Lenders and agrees with the Agent and the Lenders that all of the Inventory owned by the Borrower is and will be held for sale or lease (including sales for scrap of excess or no-movement Inventory), or to be furnished in connection with the rendition of services, in the ordinary course of the Borrower's business, and is and will be fit for such purposes. The Borrower will keep its Inventory in good and marketable condition, at its own expense. Borrower will not, without the prior written consent of the Agent, acquire or accept any Inventory on consignment or approval. The Borrower agrees that all Inventory produced in the United States will be produced in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations, and orders thereunder. The Borrower will conduct a physical count of the Inventory at least once per Fiscal Year, and after and during the continuation of an Event of Default, at such other times as the Agent requests, but not to exceed four times in any Fiscal Year. The Borrower will maintain a perpetual inventory reporting system at all times. The Borrower will not, without the Agent's written consent, sell any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment, or other repurchase or return basis.

.11 Documents, Instruments, and Chattel Paper. The Borrower represents and

warrants to the Agent and the Lenders that (a) all documents, instruments, and chattel paper describing, evidencing, or constituting Collateral, and all signatures and endorsements thereon, are and will be complete, valid, and genuine, and (b) all goods evidenced by such documents, instruments, and chattel paper are and will be owned by the Borrower, free and clear of all Liens other than Permitted Liens.

-58-

.12 Right to Cure. The Agent may, in its discretion, and shall, at the

direction of the Majority Lenders, pay any amount or do any act required of the Borrower hereunder or under any other Loan Document in order to preserve, protect, maintain or enforce the Obligations, the Collateral or the Agent's Liens therein, and which the Borrower fails to pay or do, including payment of any judgment against the Borrower, any insurance premium, any warehouse charge, any finishing or processing charge, any landlord's or bailee's claim, and any other Lien upon or with respect to the Collateral. All payments that the Agent makes under this Section 6.12 and all out-of-pocket costs and expenses that the

Agent pays or incurs in connection with any action taken by it hereunder shall be charged to the Borrower's Loan Account as a Revolving Loan. Any payment made or other action taken by the Agent under this Section 6.12 shall be without

prejudice to any right to assert an Event of Default hereunder and to proceed thereafter as herein provided.

.13 Power of Attorney. The Borrower hereby appoints the Agent and the

Agent's designee as the Borrower's attorney, with power: (a) to endorse the Borrower's name on any checks, notes, acceptances, money orders, or other forms of payment or security that come into the Agent's or any Lender's possession; (b) to sign the Borrower's name on any invoice, bill of lading, warehouse receipt or other document of title relating to any Collateral, on drafts against customers, on assignments of Accounts, on notices of assignment and other public records; (c) to sign the Borrower's name on any financing statements as may be reasonably deemed necessary or desirable by Agent or any Lender in order to

perfect or maintain perfected the Agent's Liens on any Collateral and to file any such financing statements by electronic means with or without a signature as authorized or required by applicable law or filing procedure; (d) to notify the post office authorities to change the address for delivery of the Borrower's mail to an address designated by the Agent and to receive, open and dispose of all mail addressed to the Borrower; (e) to send requests for verification of Accounts to customers or Account Debtors; (f) to clear Inventory, through customs in the Borrower's name, the Agent's name or the name of the Agent's designee, and to sign and deliver to customs officials powers of attorney in the Borrower's name for such purpose; and (g) to do all things necessary to carry out this Agreement; provided, however, that the power of attorney granted under

the preceding clauses (a), (b), (d), (f) and (g) shall only be exercisable while an Event of Default exists. The Borrower ratifies and approves all acts of such attorney. None of the Lenders or the Agent nor their attorneys will be liable for any acts or omissions or for any error of judgment or mistake of fact or law unless the result of its own bad faith, gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable until this Agreement has been terminated and the Obligations have been fully satisfied.

.14 The Agent's and Lenders' Rights, Duties and Liabilities. The Borrower

assumes all responsibility and liability arising from or relating to the use, sale or other disposition of the Collateral. The Obligations shall not be affected by any failure of the Agent or any Lender to take any steps to perfect the Agent's Liens or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release the Borrower from any of the Obligations. Following the occurrence and continuation of an Event of Default, the Agent may (but shall not be required to), and at the direction of the Majority Lenders shall, without notice to or consent from the Borrower, sue upon or otherwise collect, extend the time for payment of, modify or amend the

-59-

terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of the Borrower for the Obligations or under this Agreement or any other agreement now or hereafter existing between the Agent and/or any Lender and the Borrower.

ARTICLE 7

BOOKS AND RECORDS; FINANCIAL INFORMATION; NOTICES

.1 Books and Records. The Parent shall maintain, at all times, correct

and complete books, records and accounts in which complete, correct and timely entries are made of its transactions in accordance with GAAP applied consistently with the audited Financial Statements required to be delivered pursuant to Section 7.2(a). The Parent shall, by means of appropriate

entries, reflect in such accounts and in all Financial Statements proper liabilities and reserves for all taxes and proper provision for depreciation and amortization of property and bad debts, all in accordance with GAAP. From and after the Loan Availability Date, the Parent shall maintain at all times books and records pertaining to the Collateral in such detail, form and scope as the Agent or any Lender shall reasonably require, including, but not limited to, records of (a) all payments received and all credits and extensions granted with respect to the Accounts; (b) the return, rejections, repossession, stoppage in transit, loss, damage, or destruction of any Inventory; and (c) all other dealings affecting the Collateral.

.2 Financial Information. The Parent shall promptly furnish to each

Lender, all such financial information as the Agent or any Lender shall reasonably request, and notify its auditors and accountants that the Agent, on behalf of the Lenders, is authorized to obtain such information directly from them. Without limiting the foregoing, the Parent will furnish to the Agent, in sufficient copies for distribution by the Agent to each Lender, in such detail as the Agent or the Lenders shall request, the following:

(a) As soon as available, but in any event not later than ninety (90) days after the close of each Fiscal Year, consolidated audited and consolidating audited balance sheets, and statements of income and expense, cash flow and of stockholders' equity for the Parent and its Subsidiaries for such Fiscal Year, and the accompanying notes thereto, setting forth in each case in comparative form figures for the previous Fiscal Year, all in reasonable detail, fairly presenting the financial position and the results of operations of the Parent

and its consolidated Subsidiaries as at the date thereof and for the Fiscal Year then ended, and prepared in accordance with GAAP. Such statements shall be examined in accordance with generally accepted auditing standards by and, in the case of such statements performed on a consolidated basis, accompanied by a report thereon unqualified as to scope of independent certified public accountants selected by the Parent and reasonably satisfactory to the Agent. The Parent, simultaneously with retaining such independent public accountants to conduct such annual audit, shall send a letter to

-60-

such accountants, with a copy to the Agent and the Lenders, notifying such accountants that one of the primary purposes for retaining such accountants' services and having audited financial statements prepared by them is for use by the Agent and the Lenders. The Parent hereby authorizes the Agent, upon reasonable prior notice to the Parent, to communicate directly with its certified public accountants and, by this provision, authorizes those accountants to disclose to the Agent any and all financial statements and other supporting financial documents and schedules relating to the Parent or any of its Subsidiaries and to discuss directly with the Agent the finances and affairs of the Parent or any of its Subsidiaries.

(b) As soon as available, but in any event not later than fifteen (15) days after the end of each month, consolidated and consolidating unaudited balance sheets of the Parent and its consolidated Subsidiaries as at the end of such month, and consolidated and consolidating unaudited statements of income and expense for the Parent and its consolidated Subsidiaries for such month and for the period from the beginning of the Fiscal Year to the end of such month, each in such form and detail as currently provided to management of the Parent as of the date of this Agreement.

(c) As soon as available, but in any event not later than forty-five (45) days after the close of each fiscal quarter other than the fourth quarter of a Fiscal Year, consolidated and consolidating unaudited balance sheets of the Parent and its consolidated Subsidiaries as at the end of such quarter, and consolidated and consolidating unaudited statements of income and expense and statement of cash flows for the Parent and its Subsidiaries for such quarter and for the period from the beginning of the Fiscal Year to the end of such quarter, all in reasonable detail, fairly presenting the financial position and results of operation of the Parent and its Subsidiaries as at the date thereof and for such periods, prepared in accordance with GAAP consistent with the audited Financial Statements required to be delivered pursuant to Section 7.2(a). The

Parent shall certify by a certificate signed by its chief financial officer that all such statements have been prepared in accordance with GAAP and present fairly, subject to normal year-end adjustments, the Parent's financial position as at the dates thereof and its results of operations for the periods then ended.

(d) With each of the audited Financial Statements delivered pursuant to Section 7.2(a), a certificate of the independent certified public accountants that examined such statement to the effect that they have reviewed and are familiar with this Agreement and that, in examining such Financial Statements, they did not become aware of any fact or condition which then constituted a Default or Event of Default, except for those, if any, described in reasonable detail in such certificate.

(e) With each of the annual audited Financial Statements delivered pursuant to Section 7.2(a), and within forty-five (45) days after the end of each fiscal quarter, a certificate of the chief financial officer of the Parent (i) setting forth in reasonable detail the calculations of the covenants set forth in Sections 9.19 and 9.20 during the period covered in such Financial Statements and as at the end thereof and demonstrating compliance with such covenants, if required under the terms of this Agreement, and (ii) stating that, except as explained in reasonable detail in such certificate, (A) all of the representations and warranties of the Borrower

-61-

contained in this Agreement and the other Loan Documents are correct and complete in all material respects as at the date of such certificate as if made at such time, except for those that speak as of a particular day, (B) the Borrower is, at the date of such certificate, in compliance in all material respects with all of its respective covenants and agreements in this Agreement and the other Loan Documents, (C) no Default or Event of Default then exists or existed during the period covered by such Financial Statements, (D) describing and analyzing in reasonable detail all material trends, changes, and developments in each and all Financial Statements; and (E) explaining the variances of the figures in the corresponding budgets and prior Fiscal Year financial statements. If such certificate discloses that a representation or warranty is not correct or complete, or that a covenant has not been complied with, or that a Default or Event of Default existed or exists, such certificate

shall set forth what action the Parent has taken or proposes to take with respect thereto.

(f) No sooner than sixty (60) days and not less than thirty (30) days prior to the beginning of each Fiscal Year, annual forecasts (to include forecasted consolidated and consolidating balance sheets, statements of income and expenses and statements of cash flow) for the Parent and its Subsidiaries as at the end of and for each month of such Fiscal Year.

(g) Promptly after filing with the PBGC and the IRS, a copy of each annual report or other filing filed with respect to each Plan of the Parent.

(h) Promptly upon the filing thereof, copies of all reports, if any, to or other documents filed by the Parent or any of its Subsidiaries with the Securities and Exchange Commission under the Exchange Act, and all reports, notices, or statements sent or received by the Parent or any of its Subsidiaries to or from the holders of any equity interests of the Parent (other than routine non-material correspondence sent by shareholders of the Parent to the Parent) or any such Restricted Subsidiary or of any Debt for Borrowed Money of the Parent or any of its Restricted Subsidiaries registered under the Securities Act of 1933 or to or from the trustee under any indenture under which the same is issued.

(i) As soon as available, but in any event not later than 15 days after the Parent's receipt thereof, a copy of all management reports and management letters prepared for the Parent by any independent certified public accountants of the Parent.

(j) Promptly after their preparation, copies of any and all proxy statements, financial statements, and reports which the Parent makes available to its shareholders.

(k) Promptly after filing with the IRS, a copy of each tax return filed by the Parent or by any of its Restricted Subsidiaries.

(l) Such additional information as the Agent and/or any Lender may from time to time reasonably request regarding the financial and business affairs of the Parent or any Restricted Subsidiary.

.3 Notices to the Lenders. The Parent shall notify the Agent and

the Lenders, in writing of the following matters at the following times:

-62-

(a) Immediately after becoming aware of any Default or Event of Default.

(b) Immediately after becoming aware of the assertion by the holder of more than \$1,000,000 of any capital stock of the Parent or any Restricted Subsidiary or of any Debt of the Parent or any Restricted Subsidiary in excess of \$1,000,000 in principal amount that a default exists with respect thereto or that the Parent or such Restricted Subsidiary is not in compliance with the terms thereof, or the threat or commencement by such holder of any enforcement action because of such asserted default or non-compliance.

(c) Immediately after becoming aware of any material adverse change in the Parent's or any Restricted Subsidiary's property, business, operations, or condition (financial or otherwise).

(d) Immediately after becoming aware of any pending or threatened action, suit, proceeding, or counterclaim by any Person, or any pending or threatened investigation by a Governmental Authority, which may materially and adversely affect the Collateral, the repayment of the Obligations, the Agent's or any Lender's rights under the Loan Documents, or the Parent's or any Restricted Subsidiary's property, business, operations, or condition (financial or otherwise).

(e) Immediately after becoming aware of any pending or threatened strike, work stoppage, unfair labor practice claim, or other labor dispute affecting the Parent or any of its Restricted Subsidiaries in a manner which could reasonably be expected to have a Material Adverse Effect.

(f) Immediately after becoming aware of any violation of any law, statute, regulation, or ordinance of a Governmental Authority affecting the Parent or any Restricted Subsidiary which could reasonably be expected to have a Material Adverse Effect.

(g) Immediately after receipt of any notice of any violation by the Parent or any of its Restricted Subsidiaries of any Environmental Law which could reasonably be expected to have a Material Adverse Effect or of the imposition of any Environmental Lien against any property of the Parent or any of its Restricted Subsidiaries or that any Governmental Authority has asserted that the Parent or any Restricted Subsidiary is not in compliance with any

Environmental Law or is investigating the Parent's or such Restricted Subsidiary's compliance therewith, in each case, which could reasonably be expected to have a Material Adverse Effect.

(h) Immediately after receipt of any written notice that the Parent or any of its Restricted Subsidiaries is or may be liable to any Person as a result of the Release or threatened Release of any Contaminant or that the Parent or any Restricted Subsidiary is subject to investigation by any Governmental Authority evaluating whether any remedial action is needed to respond to the Release or threatened Release of any Contaminant which, in either case, is reasonably likely to have a Material Adverse Effect.

(i) Any change in the Borrower's name, state of organization, or form of organization, trade names under which the Borrower will sell Inventory or create Accounts, or to

-63-

which instruments in payment of Accounts may be made payable, in each case at least thirty (30) days prior thereto.

(j) Within ten (10) Business Days after the Borrower or any ERISA Affiliate knows or has reason to know, that an ERISA Event or a prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) has occurred, and, when known, any action taken or threatened by the IRS, the DOL or the PBGC with respect thereto.

(k) Upon request, copies of the following: (i) each annual report (form 5500 series), including Schedule B thereto, filed with the PBGC, the DOL or the IRS with respect to each Plan, (ii) a copy of each funding waiver request filed with the PBGC, the DOL or the IRS with respect to any Plan and all communications received by the Borrower or any ERISA Affiliate from the PBGC, the DOL or the IRS with respect to such request, and (iii) a copy of each other filing or notice filed with the PBGC, the DOL or the IRS, with respect to each Plan of either Borrower or any ERISA Affiliate.

(l) Of the occurrence of any of the following events affecting the Parent or any ERISA Affiliate (but in no event more than 10 days after such event), together with a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Parent or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Parent or any ERISA Affiliate; or

(iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability; and

(m) Prior notice of any material change in accounting policies or financial reporting practices by the Parent or any of its consolidated Subsidiaries.

Each notice given under this Section shall describe the subject matter thereof in reasonable detail, and shall set forth the action that the Parent, its Subsidiary, or any ERISA Affiliate, as applicable, has taken or proposes to take with respect thereto.

-64-

ARTICLE 8

GENERAL WARRANTIES AND REPRESENTATIONS

The Borrower warrants and represents to the Agent and the Lenders that except as hereafter disclosed to and accepted by the Agent and the Majority Lenders in writing:

.1 Authorization, Validity, and Enforceability of this Agreement and the

Loan Documents. The Borrower has the corporate power and authority to execute, -----
deliver and perform this Agreement and the other Loan Documents, to incur the Obligations, and to grant to the Agent Liens upon and security interests in the Collateral. The Borrower has taken all necessary corporate action (including obtaining approval of its stockholders if necessary) to authorize its execution, delivery, and performance of this Agreement and the other Loan Documents to

which it is a party. This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower, and constitute the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms without defense, setoff or counterclaim. The Borrower's execution, delivery, and performance of this Agreement and the other Loan Documents, including the grant or perfection of the Agent's Liens, do not and will not conflict with, or constitute a violation or breach of, or constitute a default under, or result in the creation or imposition of any Lien upon the property of the Borrower or any of its Restricted Subsidiaries by reason of the terms of (a) any contract, mortgage, Lien, lease, agreement, indenture, or instrument to which the Borrower is a party or which is binding upon it, (b) any Requirement of Law applicable to the Borrower or any of its Restricted Subsidiaries, or (c) the certificate or articles of incorporation or by-laws of the Borrower or any of its Restricted Subsidiaries.

.2 Validity and Priority of Security Interest. The provisions of

this Agreement and the other Loan Documents create legal and valid Liens on all the Collateral in favor of the Agent, for the ratable benefit of the Agent and the Lenders, and such Liens constitute perfected and continuing Liens on all the Collateral, having priority over all other Liens on the Collateral, securing all the Obligations, and enforceable against the Borrower and all third parties.

.3 Organization and Qualification. The Borrower (a) is duly

incorporated and organized and validly existing in good standing under the laws of the state of its incorporation, (b) is qualified to do business as a foreign corporation and is in good standing in the jurisdictions set forth on Schedule

8.3 which are the only jurisdictions in which qualification is necessary in

order for it to own or lease its property and conduct its business, and (c) has all requisite power and authority to conduct its business and to own its property.

.4 Corporate Name; Prior Transactions. As of the Loan Availability

Date, the Borrower has not, during the past five (5) years, been known by or used any other corporate or fictitious name other than "AMD".

.5 Subsidiaries and Affiliates. Schedule 8.5 is a correct and

complete list of the name and relationship to the Borrower of each of the Borrower's Subsidiaries as of the Loan

-65-

Availability Date. Each Restricted Subsidiary is (a) duly incorporated and organized and validly existing in good standing under the laws of its state of incorporation set forth on Schedule 8.5, and (b) qualified to do business as a

foreign corporation and in good standing in each jurisdiction in which the failure to so qualify or be in good standing could reasonably be expected to have a material adverse effect on any such Restricted Subsidiary's business, operations, property, or condition (financial or otherwise) and (c) has all requisite power and authority to conduct its business and own its property.

.6 Financial Statements and Projections. (a) The Parent has delivered

to the Agent and the Lenders the unaudited balance sheet and related statements of income and cash flows for the Parent and its consolidated Subsidiaries as of May 23, 1999. All such financial statements have been prepared in accordance with GAAP and present accurately and fairly the financial position of the Parent and its consolidated Subsidiaries as at the dates thereof and their results of operations for the periods then ended.

(b) The Latest Projections when submitted to the Lenders as required herein represent the Parent's good faith estimate of the future financial performance of the Parent and its consolidated Subsidiaries for the periods set forth therein. The Latest Projections have been prepared on the basis of the assumptions set forth therein, which the Parent believes are fair and reasonable in light of current and reasonably foreseeable business conditions at the time submitted to the Lender.

.7 Solvency. The Borrower is Solvent prior to and after

giving effect to the making of the Revolving Loans, if any, to be made on the Loan Availability Date.

.8 Debt. As of the Loan Availability Date, and after giving effect to

the making of the Revolving Loans, if any, to be made on the Loan Availability Date, the Borrower and its Restricted Subsidiaries have no Debt, except (a) the Obligations, (b) Debt described on Schedule 8.8, and (c) trade payables and

other contractual obligations arising in the ordinary course of business.

.9 Distributions. Since March 26, 1999, no Distribution has been

declared, paid, or made upon or in respect of any capital stock or other securities of the Borrower as of the Loan Availability Date.

.10 Title to Property. The Borrower has good and marketable title

in fee simple to its real property, and the Borrower has good, indefeasible, and merchantable title to all of its other property (including the assets reflected on the May 23, 1999 Financial Statements delivered to the Agent and the Lenders, except as disposed of in the ordinary course of business since the date thereof or as permitted under this Agreement), and all of such property constituting Collateral is free of all Liens except Permitted Liens.

.11 Trade Names. All trade names or styles under which the Borrower

or any of its Subsidiaries will sell Inventory or create Accounts, or to which instruments in payment of Accounts may be made payable, are listed on Schedule

8.11.

-66-

.12 Litigation. Except as specifically disclosed in Schedule 8.12,

there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Borrower, or its Restricted Subsidiaries or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to the Borrower or its Restricted Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

.13 Restrictive Agreements. As of the Loan Availability Date, neither

the Borrower nor any of its Restricted Subsidiaries is a party to any contract or agreement, or subject to any charter or other corporate or similar restriction, or any Requirement of Law, which would in any respect reasonably be expected to cause a Material Adverse Effect.

.14 Labor Disputes. As of the Loan Availability Date, (a) there

is no collective bargaining agreement or other labor contract covering employees of the Borrower or any of its Restricted Subsidiaries, (b) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement, (c) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of the Borrower or any of its Restricted Subsidiaries or for any similar purpose, and (d) there is no pending or (to the best of the Borrower's knowledge) threatened, strike, work stoppage, material unfair labor practice claim, or other material labor dispute against or affecting the Borrower or its Restricted Subsidiaries or their employees.

.15 Environmental Laws. Except as specifically disclosed on Schedule

8.15, as of the Loan Availability Date:

(a) to the best of the Borrower's knowledge, the on-going operations of the Borrower and each of its Restricted Subsidiaries comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of \$25,000,000 in the aggregate.

(b) the Borrower and each of its Restricted Subsidiaries have obtained all licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for their

respective ordinary course operations, all such Environmental Permits are in good standing, and the Borrower and each of its Restricted Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits;

-67-

(c) none of the Borrower, any of its Restricted Subsidiaries or any of their respective present property or operations, is subject to any outstanding written order from or agreement with any Governmental Authority, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Contaminant; and

(d) to the best of the Borrower's knowledge, there are no Contaminants or other conditions or circumstances existing with respect to any property of the Borrower or any Restricted Subsidiary, or arising from operations prior to the Loan Availability Date, of the Borrower or any of its Restricted Subsidiaries that would reasonably be expected to give rise to Environmental Claims with a potential liability of the Borrower and its Restricted Subsidiaries in excess of \$25,000,000 in the aggregate for any such condition, circumstance or property and in addition, (i) neither the Borrower nor any Restricted Subsidiary has any underground storage tanks (A) that are not properly registered or permitted under applicable Environmental Laws, or (B) that are leaking or disposing of Contaminants off-site, and (ii) the Borrower and its Restricted Subsidiaries have notified all of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA and all other Environmental Laws.

.16 No Violation of Law. Neither the Borrower nor any of its

Restricted Subsidiaries is in violation of any law, statute, regulation, ordinance, judgment, order, or decree applicable to it which violation could reasonably be expected to have a Material Adverse Effect.

.17 No Default. Neither the Borrower nor any of its Restricted

Subsidiaries is in default with respect to any note, indenture, loan agreement, mortgage, lease, deed, or other agreement to which the Borrower or such Restricted Subsidiary is a party or by which it is bound, which default could reasonably be expected to have a Material Adverse Effect.

.18 ERISA Compliance. As of the Loan Availability Date:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan is intended to qualify under Section 401(a) of the Code and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification. The Borrower and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

-68-

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

.19 Taxes. The Borrower and its Restricted Subsidiaries have

filed all federal and other tax returns and reports required to be filed, and have paid all federal and other taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable. There is no proposed tax assessment against the Borrower or any of its Restricted Subsidiaries that would, if made, have a Material Adverse Effect.

.20 Regulated Entities. None of the Borrower, any Person controlling

the Borrower, or any Subsidiary, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code or law, or any other federal or state statute or regulation limiting its ability to incur

indebtedness.

.21 Use of Proceeds; Margin Regulations. The proceeds of the Loans are

to be used solely for working capital or general corporate purposes, not in
contravention of this Agreement. Neither the Borrower nor any Subsidiary is
engaged in the business of purchasing or selling Margin Stock or extending
credit for the purpose of purchasing or carrying Margin Stock.

.22 Copyrights, Patents, Trademarks and Licenses, etc. To the best

of the Borrower's knowledge, the Borrower or its Restricted Subsidiaries own or
is licensed or otherwise has the right to use all of the patents, trademarks,
service marks, trade names, copyrights, contractual franchises, licenses, rights
of way, authorizations and other rights that are reasonably necessary for the
operation of its businesses, without conflict with the rights of any other
Person. To the best knowledge of the Borrower, no slogan or other advertising
device, product, process, method, substance, part or other material now
employed, or now contemplated to be employed, by the Borrower or any Restricted
Subsidiary infringes upon any rights held by any other Person. Except as
specifically disclosed on Schedule 8.22, no claim or litigation regarding any

of the foregoing is pending or, to the best of Borrower's knowledge, threatened,
and no patent, invention, device, application, principle or any statute, law,
rule, regulation, standard or code is, to the best of the Borrower's knowledge,
pending or proposed, which, in either case, could reasonably be expected to have
a Material Adverse Effect.

.23 No Material Adverse Change. No material adverse change has

occurred in the Borrower's Property, business, operations, or conditions
(financial or otherwise) since the date of the Financial Statements delivered to
the Lender under Section 8.6(a). On the basis of a

-69-

comprehensive review and assessment undertaken by Borrower of Borrower's
computers and computer applications and inquiry made of Borrower's material
suppliers, vendors and customers Borrower reasonably believes that the "Year
2000 problem" (that is, the risk that computers and computer applications used
by any person may be unable to recognize and perform properly date-sensitive
functions involving certain dates prior to and any date after December 31, 1999)
will not result in a Material Adverse Effect.

.24 Full Disclosure. None of the representations or warranties made by

the Borrower or any Subsidiary in the Loan Documents as of the date such
representations and warranties are made or deemed made, and none of the
statements contained in any exhibit, report, statement or certificate furnished
by or on behalf of the Borrower or any Subsidiary in connection with the Loan
Documents (including the offering and disclosure materials delivered by or on
behalf of the Borrower to the Lenders prior to the Closing Date), contains any
untrue statement of a material fact or omits any material fact required to be
stated therein or necessary to make the statements made therein, in light of the
circumstances under which they are made, not misleading as of the time when made
or delivered (it being understood that although any financial projections and
forecasts furnished by the Borrower represent the Borrower's best estimates and
assumptions as to future performance, which the Borrower believes to be fair and
reasonable as of the time made in the light of current and reasonably
foreseeable business conditions, such financial projections and forecasts as to
future events are not to be viewed as facts and that actual results during the
period or periods covered thereby may differ from the projected or forecasted
results).

.25 Governmental Authorization. No approval, consent, exemption,

authorization, or other action by, or notice to, or filing with, any
Governmental Authority or other Person is necessary or required in connection
with the execution, delivery or performance by, or enforcement against, the
Borrower or any of its Restricted Subsidiaries of this Agreement or any other
Loan Document.

.26 Insurance. The properties of the Borrower and its

Restricted Subsidiaries are insured with financially sound and reputable
insurance companies not Affiliates of the Borrower, in such amounts, with such
deductibles and covering such risks as are customarily carried by companies
engaged in similar businesses and owning similar properties in localities where
the Borrower or each such Restricted Subsidiary operates.

ARTICLE 9

The Borrower covenants to the Agent and each Lender that, effective from and after the Loan Availability Date, and for so long as any of the Obligations remains outstanding or this Agreement is in effect:

.1 Taxes and Other Obligations. The Borrower shall, and shall

cause each of its Restricted Subsidiaries to, (a) file when due all tax returns and other reports which it is required to file; (b) pay, or provide for the payment, when due, of all taxes, fees, assessments and other

-70-

governmental charges against it or upon its property, income and franchises, make all required withholding and other tax deposits, and establish adequate reserves for the payment of all such items, and provide to the Agent and the Lenders, upon reasonable request, satisfactory evidence of its timely compliance with the foregoing; and (c) pay when due all Debt owed by it, but subject to any subordination provisions contained in any instrument or agreement evidencing such Debt, and all claims of materialmen, mechanics, carriers, warehousemen, landlords, processors and other like Persons, and all other indebtedness owed by it and perform and discharge in a timely manner all other obligations undertaken by it; provided, however, neither the Borrower nor any of its Restricted

Subsidiaries need pay any tax, fee, assessment, or governmental charge, that (i) it is contesting in good faith by appropriate proceedings diligently pursued, (ii) the Borrower or its Restricted Subsidiary, as the case may be, has established proper reserves for as provided in GAAP, and (iii) no Lien (other than a Permitted Lien) results from such non-payment.

.2 Corporate Existence and Good Standing. The Borrower shall, and

shall cause each of its Restricted Subsidiaries to (subject to the provisions of Section 9.8), maintain its corporate existence and its qualification

and good standing in all jurisdictions in which the failure to maintain such existence and qualification or good standing could reasonably be expected to have a material adverse effect on the Borrower's or such Restricted Subsidiary's property, business, operations or condition (financial or otherwise).

.3 Compliance with Law and Agreements; Maintenance of Licenses.

The Borrower shall comply, and shall cause each Restricted Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act) except such as may be contested in good faith by appropriate proceedings diligently pursued. The Borrower shall, and shall cause each of its Subsidiaries to, obtain and maintain all licenses, permits, franchises, and governmental authorizations necessary to own its property and to conduct its business. The Borrower shall not modify, amend or alter its certificate or article of incorporation other than in a manner which does not adversely affect the rights of the Lenders or the Agent.

.4 Maintenance of Property. The Borrower shall, and shall

cause each of its Restricted Subsidiaries to, maintain all of its property necessary and useful in the conduct of its business, in good operating condition and repair, ordinary wear and tear excepted, using the standard of care typical in the industry in the operation and maintenance of its facilities, and preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect. The Borrower shall, and shall cause each Restricted Subsidiary to, use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill.

.5 Insurance. (a) The Borrower shall maintain, and shall cause each

of its Restricted Subsidiaries to maintain, with financially sound and reputable insurers having a rating of at least A-VII or better by Best Rating Guide, insurance against loss or damage by fire with extended coverage; theft, burglary, pilferage and loss in transit; public liability and third party property damage; larceny, embezzlement or other criminal liability; business interruption; public liability

-71-

and third party property damage; and such other hazards or of such other types as is customary for Persons engaged in the same or similar business.

(b) The Borrower shall cause the Agent, for the ratable benefit of the Agent and the Lenders, to be named (i) as secured party and sole loss payee in respect of each such policy insuring Collateral and (ii) additional insured in respect of each such liability policy, in each case, in a manner acceptable to the Agent. Each policy of insurance shall contain a clause or

endorsement requiring the insurer to give not less than thirty (30) days' prior written notice to the Agent in the event of cancellation of the policy for any reason whatsoever and a clause or endorsement stating that the interest of the Agent shall not be impaired or invalidated by any act or neglect of the Borrower or any of its Subsidiaries or the owner of any premises for purposes more hazardous than are permitted by such policy. All premiums for such insurance shall be paid by the Borrower when due, and certificates of insurance and, if requested by the Agent or any Lender, photocopies of the policies, shall be delivered to the Agent, in each case in sufficient quantity for distribution by the Agent to each of the Lenders. If the Borrower fails to procure such insurance or to pay the premiums therefor when due, the Agent may, and at the direction of the Majority Lenders shall, do so from the proceeds of Revolving Loans.

(c) The Borrower shall promptly notify the Agent and the Lenders of any loss, damage, or destruction to the Collateral in excess of \$500,000, whether or not covered by insurance. During the existence of any Event of Default, the Agent is hereby authorized to collect all insurance proceeds in respect of Collateral directly, and to apply or remit them as follows: after deducting from such proceeds the reasonable expenses, if any, incurred by the Agent in the collection or handling thereof, ratably, to the reduction of the Obligations in the order provided for in Section 4.5.

.6 Environmental Laws. The Borrower shall, and shall cause each

of its Restricted Subsidiaries to, conduct its business in compliance with all Environmental Laws applicable to it, including those relating to the generation, handling, use, storage, and disposal of any Contaminant. The Borrower shall, and shall cause each of its Restricted Subsidiaries to, take prompt and appropriate action to respond to any non-compliance with Environmental Laws.

.7 Compliance with ERISA. The Borrower shall, and shall cause

each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; (c) make all required contributions to any Plan subject to Section 412 of the Code; (d) not engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan; and (e) not engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

.8 Mergers, Consolidations or Sales. Neither the Borrower nor any of

its Restricted Subsidiaries shall (a) windup, liquidate or dissolve or agree to do any of the foregoing, except for any winding-up, liquidation or dissolution of any Restricted Subsidiary, or any agreement to do so, in which the assets of such Restricted Subsidiary are distributed to the Borrower or another Restricted Subsidiary, provided, however, that the assets of any U.S. Subsidiary which is

the subject of any such wind-up, liquidation or dissolution shall only be distributed to the Borrower or another U.S. Subsidiary or (b) during any Enhanced Covenant Period, but subject to the Grandfathering Rules, enter into any transaction of merger, reorganization, or consolidation, or transfer, sell, assign, lease, or otherwise dispose of all or any part of its property, or agree to do any of the foregoing, except (i) sales of Inventory in the ordinary course of its business; (ii) sales or other dispositions of Equipment in the ordinary course of business that is obsolete, worn-out or no longer useable by Borrower in its business; (iii) Permitted Affiliate Investments; (iv) sales by the Parent for fair market value of assets constituting collateral securing the Parent's obligations under the Indenture, provided that the proceeds of any such sale

shall be reinvested in replacement assets to be used in the ongoing operation of the Parent's and its Restricted Subsidiaries' business (it being understood by the parties that the Indenture may require that such replacement assets be pledged as replacement collateral to secure the Parent's obligations under the Indenture); (v) sales of assets having an aggregate book value of (A) not more than \$7,500,000 for all such assets so sold in any Fiscal Year and (B) not more than \$30,000,000 for all such assets so sold after the Closing Date, (vi) sales of manufacturing facilities which are made for fair market value, provided that (A) at the time of any such sale, no Event of Default shall exist or would result from such sale, (B) 75% of the aggregate sales price in respect of such sale shall be paid in cash, (C) the proceeds of any such sale shall be reinvested within 24 months of such sale in replacement assets to be used in the ongoing operation of the Parent's and its Restricted Subsidiaries' business, and, pending such reinvestment, the cash proceeds of such sale shall be held by the Parent in the form of cash or cash equivalents, and (D) the aggregate book value of all assets so sold by the Parent and its Restricted Subsidiaries, together, shall not exceed \$50,000,000; (vii) mergers or consolidations between the Borrower and any Restricted Subsidiary and between any Restricted Subsidiary and any other Restricted Subsidiary, provided that, with respect to any

such transaction involving the Borrower, the Borrower shall be the continuing or surviving corporation; (viii) transfers of the capital stock of the German Subsidiary pursuant to any Lien encumbering such capital stock, provided that

such Lien is permitted under Section 9.17; and (ix) transfers of Equipment

and Inventory between the Borrower and its Restricted Subsidiaries, and among Restricted Subsidiaries, permitted under Section 9.14. Notwithstanding

anything to the contrary in this Section 9.8 or elsewhere in this Agreement, (1) the sale or other disposition of Accounts shall not be permitted at any time hereunder, and (2) the Borrower shall not at any time consolidate or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to any Person except as permitted under the preceding clause (vii).

.9 Distributions; Capital Change; Restricted Investments. Neither

the Borrower nor any of its Restricted Subsidiaries shall (a) directly or indirectly declare or make, or incur any liability to make, any Distribution in respect of any capital stock of AMDISS, except (i) Distributions to the Parent and (ii) the repurchase and cancellation by AMDISS on or prior to December 31, 1999, of the outstanding shares of Series A and Series B preferred stock and common stock of AMDISS held by Atrium Finis Partnership, including any payment of dividends, for an aggregate amount not to exceed \$75,000, and (b) during any Enhanced Covenant Period, but subject to the Grandfathering Rules (i) directly or indirectly declare or make, or incur any liability to make, any Distribution, except (A) Distributions to the Borrower by its Restricted Subsidiaries, (B) Distributions by any Wholly-Owned Subsidiary to the Borrower or any other

-73-

Wholly-Owned Subsidiary and (C) redemptions, repurchases, retirements or other acquisitions of any equity interests of the Parent (1) in exchange for other equity interests of the Parent upon the conversion of such equity interests into such other equity interests of the Parent, or (2) out of the proceeds of the substantially concurrent sale (other than to a Subsidiary) of other equity interests of the Parent; (ii) make any change in its capital structure which could have a Material Adverse Effect; or (iii) make any Restricted Investment.

.10 Transactions Affecting Collateral or Obligations. Neither the

Borrower nor any of its Restricted Subsidiaries shall enter into any transaction which would be reasonably expected to have a Material Adverse Effect.

.11 Guaranties. Neither the Borrower nor any of its Restricted

Subsidiaries shall during any Enhanced Covenant Period, but subject to the Grandfathering Rules, make, issue, become liable on or pay any Guaranty, except (i) Guaranties of the Obligations in favor of the Agent, (ii) other Guaranties existing on the Closing Date and described on Schedule 9.11 (including the

Parent's existing Guaranties of the obligations of the German Subsidiary and payment of such Guaranties in an amount not to exceed \$150,000,000 in the aggregate), (iii) Guaranties of the obligations of FASL not to exceed in the aggregate \$175,000,000 at any time outstanding (but not the payment of any such Guaranty unless permitted under the terms of the Indenture) and (iv) Guaranties by the Borrower or any Restricted Subsidiary guarantying Debt of the Borrower or any Restricted Subsidiary permitted under Section 9.12.

.12 Debt. Neither the Borrower nor any of its Restricted Subsidiaries

shall during any Enhanced Covenant Period, but subject to the Grandfathering Rules, incur any Debt, other than: (i) the Obligations; (ii) trade payables and contractual obligations to suppliers and customers arising in the ordinary course of business; (iii) Debt described on Schedule 8.8; (iv) Debt constituting

Permitted Affiliate Investments; (v) any refinancing, renewal or extension of any Debt the incurrence of which was permitted hereunder at the time such Debt was so incurred so long as the principal amount thereof is not increased and such refinancing, renewal or extension is on substantially the same or more favorable terms (from the perspective of the Borrower and its Restricted Subsidiaries) as the terms of the Debt being refinanced, renewed or extended, and (vi) Guaranties permitted under Section 9.11.

.13 Prepayment. Neither the Borrower nor any of its Restricted

Subsidiaries shall during any Enhanced Covenant Period, but subject to the Grandfathering Rules, voluntarily prepay any Debt, except (i) the Obligations in accordance with the terms of this Agreement and (ii) the prepayment of Debt in connection with a refinancing thereof permitted under clause (v) of Section

.14 Transactions with Affiliates. Except as set forth below, neither

the Borrower nor any of its Restricted Subsidiaries shall, sell, transfer, distribute, or pay any money or property, including, but not limited to, any fees or expenses of any nature (including, but not limited to, any fees or expenses for management services), to any Affiliate, or lend or advance money or property to any Affiliate, or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or indebtedness, or any property, of any Affiliate, or become liable on any

-74-

Guaranty of the indebtedness, dividends, or other obligations of any Affiliate. Notwithstanding the foregoing, the Borrower and its Restricted Subsidiaries may engage in transactions with Affiliates, including Permitted Affiliate Transactions, provided that the terms of any such transaction shall be

materially no less favorable to the Borrower and its Restricted Subsidiaries than would be obtained in a comparable arm's-length transaction with a third party who is not an Affiliate. The Borrower shall fully disclose to the Agent and the Lenders the amounts and terms of any such Affiliate transaction involving consideration in excess of \$750,000. The parties acknowledge that the Borrower and its Restricted Subsidiaries from time to time engage in transfers among each other of inventory and equipment on an arm's-length basis in the ordinary course of business, and no further disclosure is required under this Section 9.14 in that regard. Without limiting the operation of the foregoing

provisions of this Section 9.14 or any other provision of this Agreement, the

parties further acknowledge that (a) pursuant to the Syndicated Loan Agreement dated March 11, 1997, among AMD Saxony Manufacturing GmbH, Dresdner Bank Luxembourg S.A. as Agent and Paying Agent, Dresdner Bank AG as Security Agent, and the lenders party thereto, as amended, and related agreements (copies of which have been provided to the Agent), the Borrower engages and will engage in transactions with the German Subsidiary, including support in the form of loans and guarantees, the purchase of wafers and research, design and development services (and the license of certain intellectual property rights to the German Subsidiary in connection therewith), the provision of management services to the German Subsidiary, and foreign exchange swap transactions, and (b) pursuant to the Sales and Purchase Agreement of FASL Products among the Parent, Fujitsu Limited and FASL dated as of September 8, 1995, as amended, and related agreements (copies of which have been provided to the Agent), the Borrower engages and will engage in transactions with FASL for the purchase of wafers and the joint development of technology, and certain joint licenses and cross licenses and other agreements in connection therewith, and, in each such case, no further disclosure is required under this Section 9.14 in that regard.

.15 Investment Banking and Finder's Fees. Neither the Borrower nor

any of its Subsidiaries shall pay or agree to pay, or reimburse any other party with respect to, any investment banking or similar or related fee, underwriter's fee, finder's fee, or broker's fee to any Person in connection with this Agreement. The Borrower shall defend and indemnify the Agent and the Lenders against and hold them harmless from all claims of any Person that the Borrower is obligated to pay for any such fees, and all costs and expenses (including attorneys' fees) incurred by the Agent and/or any Lender in connection therewith.

.16 Business Conducted. The Borrower shall not and shall

not permit any of its Subsidiaries to, engage directly or indirectly, in any material line of business substantially different from those lines of business in which the Borrower and its Subsidiaries are engaged on the Closing Date.

.17 Liens.

(a) Collateral. Neither the Borrower nor any of its

Subsidiaries shall create, incur, assume, or permit to exist any Lien on any property constituting Collateral now owned or hereafter acquired by any of them, except Permitted Liens.

-75-

(b) Non-Collateral. Neither the Borrower nor any of its

Restricted Subsidiaries shall during any Enhanced Covenant Period, but subject to the Grandfathering Rules, create, incur, or assume any Lien, or permit to exist any nonconsensual Lien, on any property not constituting Collateral now owned or hereafter acquired by any of them, except Permitted Liens.

.18 Fiscal Year. The Borrower shall not change its Fiscal Year.

.19 Adjusted Tangible Net Worth. At any time that the Loan to

Availability Ratio is equal to or greater than 50% or Net Domestic Cash is less than \$100,000,000, the Parent will maintain Adjusted Tangible Net Worth, determined as of the last day of each fiscal quarter, of not less than \$1,500,000,000.

.20 EBITDA. At any time that the Loan to Availability Ratio

is equal to or greater than 50% or Net Domestic Cash is less than \$100,000,000, the Parent will maintain EBITDA as of the last day of each fiscal period set forth below of not less than the amount set forth below opposite such fiscal period:

<TABLE>
<CAPTION>

Period	Amount
<S>	<C>
1. Fiscal quarter ending September 30, 1999	\$0
2. Two fiscal quarters ending December 26, 1999	\$0
3. Three fiscal quarters ending March 26, 2000	\$150,000,000
4. Four fiscal quarters ending June 25, 2000	\$300,000,000
5. Four fiscal quarters ending September 24, 2000	\$500,000,000
6. Four fiscal quarters ending December 31, 2000	\$800,000,000
7. Four fiscal quarters ending March 25, 2001	\$800,000,000
8. Four fiscal quarters ending June 24, 2001	\$800,000,000
9. Four fiscal quarters ending September 30, 2001	\$900,000,000

</TABLE>

-76-

<TABLE>

Period	Amount
<S>	<C>
10. Four fiscal quarters ending December 30, 2001 and thereafter	\$1,500,000,000

</TABLE>

.21 Use of Proceeds. The Borrower shall use the proceeds of

the Loans for working capital and other general corporate purposes not in contravention of any Requirement of Law or of any Loan Document. The Borrower shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Borrower or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

.22 Further Assurances. (a) The Borrower shall execute and deliver,

or cause to be executed and delivered, to the Agent and/or the Lenders such documents and agreements, and shall take or cause to be taken such actions, as the Agent or any Lender may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents. Without limiting the generality of the preceding sentence, promptly upon request by the

Agent or the Majority Lenders, the Borrower shall (and shall cause any of its Subsidiaries to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Agent or such Lenders, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) to subject to the Liens created by any of the Loan Documents any of the properties, rights or interests covered by any of the Loan Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Loan Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Agent and Lenders the rights granted or now or hereafter intended to be granted to the Agent and the Lenders under any Loan Document or under any other document executed in connection therewith.

(b) The Borrower shall ensure that all written information, exhibits and reports furnished to the Agent or the Lenders do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and will promptly disclose to the Agent and the Lenders and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgement or recordation thereof.

-77-

ARTICLE 10

CONDITIONS PRECEDENT

.1 Conditions to Effectiveness. The effectiveness of this Agreement is

subject to the following conditions precedent having been satisfied in a manner satisfactory to the Agent and each Lender:

(a) This Agreement and the other Loan Documents shall have been executed by each party thereto.

(b) The Borrower shall have paid all fees due and payable as of the Closing Date under the Fee Letter, which fees shall be nonrefundable, and all fees and expenses of the Agent and the Attorney Costs incurred in connection with any of the Loan Documents and the transactions contemplated thereby to the extent invoiced.

(c) The Agent shall have received:

(i) Copies of the resolutions of the board of directors of the Parent authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary or an Assistant Secretary of the Borrower;

(ii) A certificate of the Secretary or Assistant Secretary of the Borrower, dated the Closing Date, certifying the names, titles and true signatures of the officer or officers of the Borrower authorized to execute, deliver and perform, as applicable, this Agreement, and all other Loan Documents to be delivered by it hereunder;

(iii) the certificate of incorporation and the bylaws of the Borrower as in effect on the Closing Date, certified by the Secretary or Assistant Secretary of the Borrower as of the Closing Date; and

(iv) a certificate signed by a Responsible Officer of the Parent, dated as of the Closing Date, stating that there has occurred since March 26, 1999, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect;

(v) such other approvals, documents or materials as the Agent or any Lender may reasonably request.

-78-

(d) All proceedings taken in connection with the execution of this Agreement and all documents and papers relating thereto shall be reasonably satisfactory in form, scope, and substance to the Agent and the Lenders.

Execution and delivery to the Agent by a Lender of a counterpart of this Agreement shall be deemed confirmation by such Lender that (i) all conditions precedent in this Section 10.1 have been fulfilled to the satisfaction of such

Lender and (ii) the decision of such Lender to execute and deliver to the Agent an executed counterpart of this Agreement was made by such Lender independently

and without reliance on the Agent or any other Lender as to the satisfaction of any condition precedent set forth in this Section 10.1.

Notwithstanding anything to the contrary in this Section 10.1 or elsewhere

in this Agreement, the parties acknowledge and agree that (i) no representations and warranties made or covenants or agreements undertaken or Liens granted under this Agreement by the Borrower (including all representations or warranties made or covenants or agreements undertaken or Liens granted by the Borrower under Articles 6, 8 or 9 of this Agreement) shall be effective until the Loan Availability Date, excluding the Borrower's covenants and agreements set forth in Article 12 and Article 15 of this Agreement (other than Section 15.16), all

of which shall be fully effective as of the Closing Date, and (ii) no event or circumstance that would otherwise constitute a Default or an Event of Default hereunder shall constitute such a Default or Event of Default prior to the Loan Availability Date.

.2 Conditions of Initial Loans. The obligation of the Lenders to make

the initial Revolving Loans and the obligation of the Agent to issue or cause to be issued or provide Credit Support for any Letter of Credit are subject to the following conditions precedent having been satisfied on or prior to July 30, 1999, in a manner satisfactory to the Agent and each Lender (such date on which all of the following conditions are and remain satisfied, the "Loan Availability Date"):

(a) All representations and warranties made hereunder and in the other Loan Documents shall be true and correct as of the Loan Availability Date as if made on such date.

(b) No Default or Event of Default shall exist on the Loan Availability Date, or would exist after giving effect to any Loans to be made, any Letters of Credit to be issued or any Credit Support to be in place on such date.

(c) The Borrower shall have paid all fees due and payable as of the Loan Availability Date under the Fee Letter, which fees shall be nonrefundable, and all fees and expenses of the Agent and the Attorney Costs incurred in connection with any of the Loan Documents and the transactions contemplated thereby to the extent invoiced.

(d) a certificate signed by a Responsible Officer of the Parent, dated as of the Loan Availability Date, stating that: (A) the representations and warranties contained in Article VIII are true and correct on and as of such date, (B) no Default or Event of Default exists, and (C) there has occurred since March 26, 1999, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect;

-79-

(e) The Existing Senior Credit Facility shall have been amended on or prior to the Loan Availability Date in form and substance satisfactory to the Agent and the Lenders;

(f) The Agent and the Lenders shall have received such opinions of counsel for the Borrower as the Agent or any Lender shall request, each such opinion to be in a form, scope, and substance satisfactory to the Agent, the Lenders, and their respective counsel.

(g) The Agent shall have received:

(i) acknowledgment copies of proper financing statements, duly filed on or before the Loan Availability Date under the UCC of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the Agent's Lien; and

(ii) duly executed UCC-3 Termination Statements and such other instruments, in form and substance satisfactory to the Agent, as shall be necessary to terminate and satisfy all Liens on the Collateral except Permitted Liens.

(h) The Agent and the Lenders shall have examined the books of account and other records and files of the Borrower and conducted a pre-closing audit which shall include, without limitation, verification of Inventory, Accounts, and the Borrowing Base.

(i) The Agent shall have received evidence satisfactory to it that the outstanding principal of and interest and fees accrued through the Loan Availability Date on all loans made on or prior to the Loan Availability Date under the Existing Senior Credit Facility shall have been repaid in full on or prior to the Loan Availability Date and that the commitments under the Existing Senior Credit Facility shall have been terminated;

(j) The Agent shall have received evidence, in form, scope, and substance, reasonably satisfactory to the Agent, of all insurance coverage and endorsements in favor of the Agent as required by this Agreement;

(k) The Agent shall have received a good standing and tax good standing certificate for the Borrower from the Secretary of State of Delaware, California and Texas as of a recent date, together with a bring-down certificate by facsimile dated the Loan Availability Date, if requested by the Agent;

(l) The Agent and the Borrower shall have agreed on the form of Borrowing Base Certificate to be attached hereto as Exhibit A, and the Agent shall have received a completed Borrowing Base Certificate, dated the Loan Availability Date, calculating the Borrowing Base as of the last day of the immediately preceding fiscal month of the Borrower;

(m) The Agent shall have received copies of the resolutions of the board of directors of AMDISS authorizing the transactions contemplated hereby (and ratifying all actions

-80-

authorized by such resolutions taken by AMDISS prior to the date of such resolutions), certified by the Secretary or an Assistant Secretary of AMDISS;

(n) The Borrower shall have executed and delivered to the Agent a Blocked Account Agreement;

(o) The Borrower shall have delivered to the Agent the completed Schedules to this Agreement in form and substance reasonably satisfactory to the Agent; and

(p) All proceedings taken in connection with the execution of this Agreement, all other Loan Documents and all documents and papers relating thereto shall be reasonably satisfactory in form, scope, and substance to the Agent and the Lenders.

The acceptance by the Borrower of any Loans made or Letters of Credit issued on the date of the initial Borrowing hereunder or the date of the initial issuance of any Letter of Credit hereunder shall be deemed to be a representation and warranty made by the Borrower to the effect that all of the conditions precedent to the making of such Loans or the issuance of such Letters of Credit have been satisfied, with the same effect as delivery to the Agent and the Lenders of a certificate signed by a Responsible Officer of the Borrower, dated such date, to such effect.

.3 Conditions Precedent to Each Loan. The obligation of the Lenders to

make each Loan, including the initial Revolving Loans, if any, on or after the Loan Availability Date, and the obligation of the Agent to issue or cause to be issued or to provide Credit Support for any Letter of Credit, shall be subject to the further conditions precedent that on and as of the date of any such extension of credit:

(a) The following statements shall be true, and the acceptance by the Borrower of any extension of credit shall be deemed to be a statement to the effect set forth in clauses (i), (ii) and (iii), with the same effect as the delivery to the Agent and the Lenders of a certificate signed by a Responsible Officer, dated the date of such extension of credit, stating that:

(i) The representations and warranties contained in this Agreement and the other Loan Documents are correct in all material respects on and as of the date of such extension of credit as though made on and as of such date, other than any such representation or warranty which relates to a specified prior date and except to the extent the Agent and the Lenders have been notified by the Borrower that any representation or warranty is not correct and the Majority Lenders have explicitly waived in writing compliance with such representation or warranty;

(ii) No event has occurred and is continuing, or would result from such extension of credit, which constitutes a Default or an Event of Default; and

-81-

(iii) Neither the Agent nor any Lender shall have received from the Borrower any notice that any Collateral Document will no longer secure on a first priority basis, subject only to Permitted Liens, future advances or future Loans to be made or extended under this Agreement.

(b) The amount of the Borrowing Base shall be sufficient to make such Revolving Loans or issue such Letters of Credit without exceeding the Availability, provided, however, that the foregoing conditions precedent are not

conditions to each Lender participating in or reimbursing the Bank or the Agent for such Lenders' Pro Rata Share of any Non-Ratable Loan or Agent Advance made in accordance with the provisions of in Sections 2.2(h), (i) and (j).

ARTICLE 11

DEFAULT; REMEDIES

.1 Events of Default. It shall constitute an event of default ("Event of Default") if any one or more of the following shall occur for any reason:

(a) any failure by the Borrower to pay (i) when due, the principal of any of the Obligations or (ii) within three days after the same becomes due whether upon demand or otherwise, any interest or premium on any of the Obligations or any fee or other amount owing hereunder;

(b) any representation or warranty made or deemed made by the Borrower in this Agreement or by the Borrower or any of its Subsidiaries in any of the other Loan Documents, any Financial Statement, or any certificate furnished by the Borrower or any of its Subsidiaries at any time to the Agent or any Lender is incorrect in any material respect as of the date on which made, deemed made, or furnished;

(c) (i) any default shall occur in the observance or performance of any of the covenants and agreements contained in Sections 6.9, 9.2 (as to the Borrower), 9.3, 9.7, 9.8, 9.9 and 9.11 through 9.21; or (ii) any default shall occur in the observance or performance of any of the covenants and agreements contained in Sections 7.2 and 7.3 and such default shall continue unremedied for a period of 10 days after the earlier of (A) the date upon which a Responsible Officer knew or reasonably should have known of such default or (B) the date upon which written notice thereof is given to the Borrower by the Agent or any Lender; or (iii) any default shall occur in the observance or performance of any of the other covenants and agreements contained in this Agreement, any other Loan Documents, or any other agreement entered into at any time to which the Borrower or any Subsidiary and the Agent or any Lender are party (including in respect of any Bank Product), and such default shall continue unremedied for a period of 30 days after the earlier of (A) the date upon which a Responsible Officer knew or reasonably should have known of such default or (B) the date upon which written notice thereof is given to the Borrower by the Agent or any Lender), or if any such agreement or document shall terminate (other than in accordance with its terms or the terms hereof or with the written

-82-

consent of the Agent and the Majority Lenders) or become void or unenforceable, without the written consent of the Agent and the Majority Lenders;

(d) any default shall occur with respect to any Debt For Borrowed Money of the Borrower or any of its Restricted Subsidiaries (other than the Obligations) in an outstanding principal amount which exceeds \$2,500,000, or under any agreement or instrument under or pursuant to which any such Debt For Borrowed Money may have been issued, created, assumed, or guaranteed by the Borrower or any of its Restricted Subsidiaries, and such default shall continue for more than the period of grace, if any, therein specified, if the effect thereof (with or without the giving of notice or further lapse of time or both) is to accelerate, or to permit the holders of any such Debt For Borrowed Money to accelerate, the maturity of any such Debt For Borrowed Money; or any such Debt For Borrowed Money shall be declared due and payable or be required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; or there occurs under any Rate Protection Arrangement an Early Termination Date (as defined in such Rate Protection Arrangement) resulting from (1) any event of default under such Rate Protection Arrangement as to which the Borrower or any Restricted Subsidiary is the Defaulting Party (as defined in such Rate Protection Arrangement) or (2) any Termination Event (as so defined) as to which the Borrower or any Restricted Subsidiary is an Affected Party (as so defined), and, in either event, the Swap Termination Value owed by the Borrower or such Restricted Subsidiary as a result thereof is greater than \$2,500,000.

(e) the Borrower or any of its Restricted Subsidiaries shall (i) file a voluntary petition in bankruptcy or file a voluntary petition or an answer or otherwise commence any action or proceeding seeking reorganization, arrangement or readjustment of its debts or for any other relief under the federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing, or consent to, approve of, or acquiesce in, any such petition, action or proceeding; (ii) apply for or acquiesce in the appointment of a receiver, assignee, liquidator, sequestrator, custodian, monitor, trustee or similar officer for it or for all or any part of its property; (iii) make an assignment for the benefit of creditors; or (iv) be unable generally to pay its debts as they become due;

(f) an involuntary petition or proposal shall be filed or an action or proceeding otherwise commenced seeking reorganization, arrangement, consolidation or readjustment of the debts of the Borrower or any of its Restricted Subsidiaries or for any other relief under the federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing and either (i) such petition, proposal, action or proceeding shall not have been dismissed within a period of sixty (60) days after its commencement or (ii) an order for relief against the Borrower or such Restricted Subsidiary shall have been entered in such proceeding;

(g) a receiver, assignee, liquidator, sequestrator, custodian, monitor, trustee or similar officer for the Borrower or any of its Restricted Subsidiaries or for all or any part of its property shall be appointed or a warrant of attachment, execution or similar process shall be issued against any part of the property of the Borrower or any of its Restricted Subsidiaries;

-83-

(h) the Borrower or any of its Restricted Subsidiaries shall file a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up or shall commence or have commenced against it any action or proceeding for dissolution, winding-up or liquidation, or shall take any corporate action in furtherance thereof;

(i) all or any material part of the property of the Borrower or any of its Restricted Subsidiaries shall be nationalized, expropriated or condemned, seized or otherwise appropriated, or custody or control of such property or of the Borrower or such Restricted Subsidiary shall be assumed by any Governmental Authority or any court of competent jurisdiction at the instance of any Governmental Authority, except where contested in good faith by proper proceedings diligently pursued where a stay of enforcement is in effect;

(j) any guaranty of the Obligations shall be terminated, revoked or declared void or invalid;

(k) one or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Borrower or any Restricted Subsidiary involving in the aggregate liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related or unrelated series of transactions, incidents or conditions, of \$2,500,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of 30 days after the entry thereof;

(l) any loss, theft, damage or destruction of any item or items of (i) Collateral or (ii) other property of the Borrower or any Restricted Subsidiary occurs which materially and adversely affects the property, business, operation or condition of the Borrower and its Restricted Subsidiaries taken as a whole and is not adequately covered by insurance;

(m) there occurs a Material Adverse Effect;

(n) for any reason other than the failure of the Agent to take any action available to it to maintain perfection of the Agent's Liens, pursuant to the Loan Documents, any Loan Document ceases to be in full force and effect or any Lien with respect to any material portion of the Collateral intended to be secured thereby ceases to be, or is not, valid, perfected and prior to all other Liens (other than Permitted Liens) or is terminated, revoked or declared void;

(o) (i) an ERISA Event shall occur with respect to a Pension Plan or Multi-employer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multi-employer Plan or the PBGC in an aggregate amount in excess of 5% of Adjusted Tangible Net Worth; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds 5% of Adjusted Tangible Net Worth; or (iii) the Borrower or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multi-employer Plan in an aggregate amount in excess of 5% of Adjusted Tangible Net Worth; or

(p) there occurs a Change of Control; or

-84-

(q) there occurs and is continuing an Event of Default under and as defined in the Indenture.

.2 Remedies. (a) If an Event of Default exists, the Agent may, in its

discretion, and shall, at the direction of the Majority Lenders, do one or more of the following at any time or times and in any order, without notice to or demand on the Borrower: (i) reduce the Maximum Revolver Amount, or the advance rates against Eligible Accounts used in computing the Borrowing Base, or reduce

one or more of the other elements used in computing the Borrowing Base; and (ii) restrict the amount of or refuse to make Revolving Loans; and (iii) restrict or refuse to provide the Letters of Credit or Credit Support. If an Event of Default exists, the Agent shall, at the direction of the Majority Lenders, do one or more of the following, in addition to the actions described in the preceding sentence, at any time or times and in any order, without notice to or demand on the Borrower: (A) terminate the Commitments and this Agreement; (B) declare any or all Obligations to be immediately due and payable; provided,

however, that upon the occurrence of any Event of Default described in

Sections 11.1(e), 11.2(f), 11.1(g), or 11.1(h), the Commitments shall

automatically and immediately expire and all Obligations shall automatically become immediately due and payable without notice or demand of any kind; and (C) pursue its other rights and remedies under the Loan Documents and applicable law.

(b) If an Event of Default has occurred and is continuing: (i) the Agent shall have for the benefit of the Lenders, in addition to all other rights of the Agent and the Lenders, the rights and remedies of a secured party under the UCC; (ii) the Agent may, at any time, take possession of the Collateral and keep it on the Borrower's premises, at no cost to the Agent or any Lender, or remove any part of it to such other place or places as the Agent may desire, or the Borrower shall, upon the Agent's demand, at the Borrower's cost, assemble the Collateral and make it available to the Agent at a place reasonably convenient to the Agent; and (iii) the Agent may sell and deliver any Collateral at public or private sales, for cash, upon credit or otherwise, at such prices and upon such terms as the Agent deems advisable, in its sole discretion, and may, if the Agent deems it reasonable, postpone or adjourn any sale of the Collateral by an announcement at the time and place of sale or of such postponed or adjourned sale without giving a new notice of sale. Without in any way requiring notice to be given in the following manner, the Borrower agrees that any notice by the Agent of sale, disposition or other intended action hereunder or in connection herewith, whether required by the UCC or otherwise, shall constitute reasonable notice to the Borrower if such notice is mailed by registered or certified mail, return receipt requested, postage prepaid, or is delivered personally against receipt, at least five (5) Business Days prior to such action to the Borrower's address specified in or pursuant to Section 15.8.

If any Collateral is sold on terms other than payment in full at the time of sale, no credit shall be given against the Obligations until the Agent or the Lenders receive payment, and if the buyer defaults in payment, the Agent may resell the Collateral without further notice to the Borrower. In the event the Agent seeks to take possession of all or any portion of the Collateral by judicial process, the Borrower irrevocably waives: (A) the posting of any bond, surety or security with respect thereto which might otherwise be required; (B) any demand for possession prior to the commencement of any suit or action to recover the Collateral; and (C) any requirement that the Agent retain possession and not dispose of any Collateral until after trial or final judgment. The Borrower agrees that the Agent has no obligation to preserve rights to the

-85-

Collateral or marshal any Collateral for the benefit of any Person. To the maximum extent permitted by applicable law and by any applicable contract governing the usage thereof, the Agent is hereby granted a license or other right to use, without charge, the Borrower's labels, patents, copyrights, name, trade secrets, trade names, trademarks (subject to the Borrower's right to police the proper usage of trademarks and the maintenance of product quality associated therewith), and advertising matter, or any similar property, in completing production of any Collateral that is work-in-process, advertising or selling any Collateral, and the Borrower's rights under all licenses and all franchise agreements shall inure to the Agent's benefit for such purpose. The proceeds of sale shall be applied first to all expenses of sale, including attorneys' fees, and then to the Obligations. The Agent will return any excess to the Borrower and the Borrower shall remain liable for any deficiency.

(c) If an Event of Default occurs, the Borrower hereby waives all rights to notice and hearing prior to the exercise by the Agent of the Agent's rights to repossess the Collateral without judicial process or to reply, attach or levy upon the Collateral without notice or hearing.

ARTICLE 12

TERM AND TERMINATION

.1 Term and Termination. The term of this Agreement shall end on the

Stated Termination Date, or on such earlier date as provided in this
Section 12.1. This Agreement shall automatically terminate without any further

action of the parties if the Loan Availability Date shall not have occurred on or prior to July 30, 1999. The Agent upon direction from the Majority Lenders may terminate this Agreement at any time after the Loan Availability Date without notice upon the occurrence of an Event of Default. Subject to Section 4.2, Borrower may terminate this Agreement at any time after the Loan Availability Date, subject to payment and satisfaction of all Obligations (including all unpaid principal, accrued interest and any early termination or prepayment fees or penalties). Upon the effective date of termination of this Agreement for any reason whatsoever, all Obligations (including all unpaid principal, accrued interest and any early termination or prepayment fees or penalties) shall become immediately due and payable and the Borrower shall immediately arrange for the cancellation and return of Letters of Credit then outstanding. Notwithstanding the termination of this Agreement, until all Obligations are indefeasibly paid and performed in full in cash, the Borrower shall remain bound by the terms of this Agreement and shall not be relieved of any of its Obligations hereunder, and the Agent and the Lenders shall retain all their rights and remedies hereunder (including the Agent's Liens in and all rights and remedies with respect to all then existing and after-arising Collateral).

-86-

ARTICLE 13

AMENDMENTS; WAIVER; PARTICIPATIONS; ASSIGNMENTS; SUCCESSORS

.1 No Waivers; Cumulative Remedies. No failure by the Agent or

any Lender to exercise any right, remedy, or option under this Agreement or any present or future supplement thereto, or in any other agreement between or among the Borrower and the Agent and/or any Lender, or delay by the Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by the Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by the Agent or the Lenders on any occasion shall affect or diminish the Agent's and each Lender's rights thereafter to require strict performance by the Borrower of any provision of this Agreement. The Agent's and each Lender's rights under this Agreement will be cumulative and not exclusive of any other right or remedy which the Agent or any Lender may have.

.2 Amendments and Waivers. No amendment or waiver of any provision of

this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Majority Lenders (or by the Agent at the written request of the Majority Lenders) and the Borrower and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders and the Borrower and acknowledged by the Agent, do any of the following:

(a) increase or extend the Commitment of any Lender;

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Lenders or any of them to take any action hereunder;

(e) increase any of the percentages set forth in the definition of the Borrowing Base;

(f) amend this Section or any provision of the Agreement providing for consent or other action by all Lenders;

(g) release Collateral other than as permitted by Section 14.11;

(h) change the definitions of "Majority Lenders" or "Required Lenders"; or

-87-

(i) increase the Maximum Revolver Amount or the Unused Letter of Credit Subfacility.

and, provided further, that (i) no amendment, waiver or consent shall, unless in

writing and signed by the Agent, affect the rights or duties of the Agent under this Agreement or any other Loan Document, (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto, and (iii) the Agent may, in its sole discretion and notwithstanding the limitations contained in clauses (e) and (i) above and any other terms of this Agreement, make Revolving Loans (including Agent Advances) in an amount not to exceed 5% of the Borrowing Base.

.3 Assignments; Participations.

(a) Any Lender may, with the written consent of the Agent (which consent shall not be unreasonably withheld), after consultation with the Borrower, assign and delegate to one or more Eligible Assignees (provided that no written consent of the Agent shall be required in connection with any assignment and delegation by a Lender to an Affiliate of such Lender) (each an "Assignee") all, or any ratable part of all, of the Loans, the Commitments

and the other rights and obligations of such Lender hereunder, in a minimum amount of \$5,000,000 (provided that, unless an assignor Lender has assigned and delegated all of its Loans and Commitments, no such assignment and/or delegation shall be permitted unless, after giving effect thereto, such assignor Lender retains a Commitment in a minimum amount of \$5,000,000); provided, however, that

the Borrower and the Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrower and the Agent by such Lender and the Assignee; (ii) such Lender and its Assignee shall have delivered to the Borrower and the Agent an Assignment and Acceptance in the form of Exhibit D ("Assignment and Acceptance") and (iii)

the assignor Lender or Assignee has paid to the Agent a processing fee in the amount of \$4,000.

(b) From and after the date that the Agent notifies the assignor Lender that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations, including, but not limited to, the obligation to participate in Letters of Credit and Credit Support have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance,

-88-

such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto or the attachment, perfection, or priority of any Lien granted by the Borrower to the Agent or any Lender in the Collateral; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto; (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such Assignee will, independently and without reliance upon the Agent, such assigning Lender 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; (v) such Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers, including the discretionary rights and incidental power, as are reasonably incidental thereto; and (vi) such Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon each Assignee's making its processing fee payment

under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of the Borrower (a "Participant") participating interests in any Loans, the Commitment of that

Lender and the other interests of that Lender (the "originating Lender") hereunder and under the other Loan Documents; provided, however, that (i) the

originating Lender's obligations under this Agreement shall remain unchanged, (ii) the originating Lender shall remain solely responsible for the performance of such obligations, (iii) the Borrower and the Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Lender shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent and subject to the same limitation as if the amount of its participating interest were owing directly to it as a Lender under this Agreement.

-89-

(f) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR (S)203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

ARTICLE 14

THE AGENT

.1 Appointment and Authorization. Each Lender hereby designates and

appoints Bank as its Agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. The Agent agrees to act as such on the express conditions contained in this Article 14. The provisions of this

Article 14 are solely for the benefit of the Agent and the Lenders and the

Borrower shall have no rights as a third party beneficiary of any of the provisions contained herein. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Except as expressly otherwise provided in this Agreement, the Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions which the Agent is expressly entitled to take or assert under this Agreement and the other Loan Documents, including (a) the determination of the applicability of ineligibility criteria with respect to the calculation of the Borrowing Base, (b) the making of Agent Advances pursuant to Section 2.2(i), and (c) the exercise of remedies pursuant to Section 11.2, and

any action so taken or not taken shall be deemed consented to by the Lenders.

.2 Delegation of Duties. The Agent may execute any of its duties

under this Agreement or any other Loan Document by or through agents, employees

or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made without gross negligence or willful misconduct.

-90-

.3 Liability of Agent. None of the Agent-Related Persons shall (i) be

liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own bad faith, gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of the Borrower's Subsidiaries or Affiliates.

.4 Reliance by Agent. (a) The Agent shall be entitled to rely, and shall

be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation 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 (including counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its 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. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders (or all Lenders if so required by Section 13.2) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 10.1, each Lender that has executed this Agreement shall

be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

.5 Notice of Default. The Agent shall not be deemed to have knowledge or

notice of the occurrence of any Default or Event of Default, unless the Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Agent will notify the Lenders of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Lenders in accordance with Section 11; provided, however, that unless and until the Agent

has received any such request, the

-91-

Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

.6 Credit Decision. Each Lender acknowledges that none of the Agent-

Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of the Borrower and its Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Affiliates, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into

this Agreement and to extend credit to the Borrower. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Agent, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of the Agent-Related Persons.

.7 Indemnification. Whether or not the transactions contemplated hereby

are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, from and against any and all Indemnified Liabilities as such term is defined in Section 15.11; provided, however, that no Lender shall be liable for the payment to

the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

.8 Agent in Individual Capacity. The Bank and its Affiliates may make

loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though the Bank were not the Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such

-92-

activities, the Bank or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, the Bank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" include the Bank in its individual capacity.

.9 Successor Agent. The Agent may resign as Agent upon 30 days' notice

to the Lenders and the Borrower, such resignation to be effective upon the acceptance of a successor agent to its appointment as Agent. In the event the Bank sells all of its Commitment and Revolving Loans as part of a sale, transfer or other disposition by the Bank of substantially all of its loan portfolio, the Bank shall resign as Agent and such purchaser or transferee shall become the successor Agent hereunder. If the Agent resigns under this Agreement, subject to the proviso in the preceding sentence, the Majority Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be reasonably satisfactory to the Borrower. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders and the Borrower, a successor agent from among the Lenders, which successor agent shall be reasonably satisfactory to the Borrower. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 14 shall inure to its benefit as to any actions

taken or omitted to be taken by it while it was Agent under this Agreement.

.10 Withholding Tax. (a) If any Lender is a "foreign corporation,

partnership or trust" within the meaning of the Code and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Lender agrees with and in favor of the Agent, to deliver to the Agent:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Forms 1001 and W-8 before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form 4224 before the payment of any interest is due in the first taxable year of

-93-

such Lender and in each succeeding taxable year of such Lender during which interest may be paid under this Agreement, and IRS Form W-9; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees to promptly notify the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Lender. To the extent of such percentage amount, the Agent will treat such Lender's IRS Form 1001 as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form 4224 with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

.11 Collateral Matters.

(a) The Lenders hereby irrevocably authorize the Agent, at its option and in its sole discretion, to release any Agent's Lien upon any Collateral (i) upon the termination of the

-94-

Commitments and payment and satisfaction in full by Borrower of all Loans and reimbursement obligations in respect of Letters of Credit and Credit Support, and the termination of all outstanding Letters of Credit (whether or not any of such obligations are due) and all other Obligations; (ii) constituting property being sold or disposed of if the Borrower certifies to the Agent that the sale or disposition is made in compliance with Section 9.9 (and the Agent may rely

conclusively on any such certificate, without further inquiry); (iii) constituting property in which the Borrower owned no interest at the time the Lien was granted or at any time thereafter; or (iv) constituting property leased to the Borrower under a lease which has expired or been terminated in a

transaction permitted under this Agreement. Except as provided above, the Agent will not release any of the Agent's Liens without the prior written authorization of the Lenders; provided that the Agent may, in its discretion,

release the Agent's Liens on Collateral valued in the aggregate not in excess of \$10,000,000 during any one year period without the prior written authorization of the Lenders. Upon request by the Agent or the Borrower at any time, the Lenders will confirm in writing the Agent's authority to release any Agent's Liens upon particular types or items of Collateral pursuant to this Section

14.11.
- ----

(b) Upon receipt by the Agent of any authorization required pursuant to Section 14.11(a) from the Lenders of the Agent's authority to release any

Agent's Liens upon particular types or items of Collateral, and upon at least five (5) Business Days' prior written request by the Borrower, the Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Agent's Liens upon such Collateral; provided, however, that (i) the Agent shall not be required to

execute any such document on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Borrower in respect of) all interests retained by the Borrower, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(c) The Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by the Borrower or is cared for, protected or insured or has been encumbered, or that the Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Agent may act in any manner it may deem appropriate, in its sole discretion given the Agent's own interest in the Collateral in its capacity as one of the Lenders and that the Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing.

.12 Restrictions on Actions by Lenders; Sharing of Payments. (a) Each of

the Lenders agrees that it shall not, without the express consent of all Lenders, and that it shall, to the extent it is lawfully entitled to do so, upon the request of all Lenders, set off against the Obligations, any amounts owing by such Lender to the Borrower or any accounts of the Borrower now or

-95-

hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so by the Agent, take or cause to be taken any action to enforce its rights under this Agreement or against the Borrower, including the commencement of any legal or equitable proceedings, to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If at any time or times any Lender shall receive (i) by payment, foreclosure, setoff or otherwise, any proceeds of Collateral or any payments with respect to the Obligations of the Borrower to such Lender arising under, or relating to, this Agreement or the other Loan Documents, except for any such proceeds or payments received by such Lender from the Agent pursuant to the terms of this Agreement, or (ii) payments from the Agent in excess of such Lender's ratable portion of all such distributions by the Agent, such Lender shall promptly (1) turn the same over to the Agent, in kind, and with such endorsements as may be required to negotiate the same to the Agent, or in same day funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (2) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that if all or part of

such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

.13 Agency for Perfection. Each Lender hereby appoints each other Lender

as agent for the purpose of perfecting the Lenders' security interest in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender (other than the Agent) obtain possession of any such Collateral, such Lender shall notify the Agent thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent or in accordance with the Agent's instructions.

.14 Payments by Agent to Lenders. All payments to be made by the Agent

to the Lenders shall be made by bank wire transfer or internal transfer of immediately available funds to each Lender pursuant to wire transfer instructions delivered in writing to the Agent on or prior to the Closing Date (or if such Lender is an Assignee, on the applicable Assignment and Acceptance), or pursuant to such other wire transfer instructions as each party may designate for itself by written notice to the Agent. Concurrently with each such payment, the Agent shall identify whether such payment (or any portion thereof) represents principal, premium or interest on the Revolving Loans or otherwise.

.15 Concerning the Collateral and the Related Loan Documents. Each Lender

authorizes and directs the Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the ratable benefit of the Agent and the Lenders. Each Lender agrees that any action taken by the Agent, Majority Lenders or Required Lenders, as applicable, in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral, and the

-96-

exercise by the Agent, the Majority Lenders, or the Required Lenders, as applicable, of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

.16 Field Audit and Examination Reports; Disclaimer by Lenders. By signing

this Agreement, each Lender:

(a) is deemed to have requested that the Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by the Agent;

(b) expressly agrees and acknowledges that neither the Bank nor the Agent (i) makes any representation or warranty as to the accuracy of any Report, or (ii) shall be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or other party performing any audit or examination will inspect only specific information regarding the Borrower and will rely significantly upon the Borrower's books and records, as well as on representations of the Borrower's personnel;

(d) agrees to keep all Reports confidential and strictly for its internal use, and not to distribute except to its participants, or use any Report in any other manner; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to the Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of the Borrower; and (ii) to pay and protect, and indemnify, defend and hold the Agent and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses and other amounts (including Attorney Costs) incurred by the Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

.17 Relation Among Lenders. The Lenders are not partners or co-venturers,

and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Agent) authorized to act for, any other Lender.

ARTICLE 15

MISCELLANEOUS

.1 Cumulative Remedies; No Prior Recourse to Collateral. The enumeration

herein of the Agent's and each Lender's rights and remedies is not intended to be exclusive, and such

-97-

rights and remedies are in addition to and not by way of limitation of any other rights or remedies that the Agent and the Lenders may have under the UCC or other applicable law. The Agent and the Lenders shall have the right, in their sole discretion, to determine which rights and remedies are to be exercised and in which order. The exercise of one right or remedy shall not preclude the exercise of any others, all of which shall be cumulative. The Agent and the Lenders may, without limitation, proceed directly against the Borrower to collect the Obligations without any prior recourse to the Collateral. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

.2 Severability. The illegality or unenforceability of any provision of

this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

.3 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

(a) THIS AGREEMENT SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPOSED TO THE CONFLICT OF LAWS PROVISIONS PROVIDED THAT PERFECTION ISSUES WITH RESPECT TO ARTICLE 9 OF THE UCC MAY GIVE EFFECT TO APPLICABLE CHOICE OR CONFLICT OF LAW RULES SET FORTH IN ARTICLE 9 OF THE UCC) OF THE STATE OF CALIFORNIA; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER, THE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWER, THE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR

HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. NOTWITHSTANDING THE FOREGOING: (1) THE AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION THE AGENT OR THE LENDERS DEEM NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS AND (2) EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT ANY APPEALS FROM

-98-

THE COURTS DESCRIBED IN THE IMMEDIATELY PRECEDING SENTENCE MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE THOSE JURISDICTIONS.

(c) THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWER AT ITS ADDRESS SET FORTH IN SECTION 15.8 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED

FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE U.S. MAIL. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF AGENT OR THE LENDERS TO SERVE LEGAL PROCESS BY ANY OTHER MANNER PERMITTED BY LAW.

.4 WAIVER OF JURY TRIAL. THE BORROWER, THE LENDERS AND THE AGENT EACH

WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, THE LENDERS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

.5 Survival of Representations and Warranties. All of the Borrower's

representations and warranties contained in this Agreement shall survive the execution, delivery, and acceptance thereof by the parties, notwithstanding any investigation by the Agent or the Lenders or their respective agents.

.6 Other Security and Guaranties. The Agent, may, without notice or

demand and without affecting the Borrower's obligations hereunder, from time to time: (a) take from any Person and hold collateral (other than the Collateral) for the payment of all or any part of the Obligations and exchange, enforce or release such collateral or any part thereof; and (b) accept and hold any endorsement or guaranty of payment of all or any part of the Obligations and release or substitute any such endorser or guarantor, or any Person who has given any Lien in any other collateral as security for the payment of all or any part of the Obligations, or any other Person in any way obligated to pay all or any part of the Obligations.

-99-

.7 Fees and Expenses. The Borrower agrees to pay to the Agent, for its

benefit, on demand, all costs and expenses that Agent pays or incurs in connection with the negotiation, preparation, syndication, consummation, administration, enforcement, and termination of this Agreement or any of the other Loan Documents, including: (a) reasonable Attorney Costs; (b) costs and reasonable expenses (including attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent, or subsequent closing in connection with the Loan Documents and the transactions contemplated thereby; (c) costs and reasonable expenses of lien and title searches and title insurance; (d) taxes, fees and other charges for filing financing statements and continuations, and other actions to perfect, protect, and continue the Agent's Liens (including costs and reasonable expenses paid or incurred by the Agent in connection with the consummation of Agreement); (e) sums paid or incurred to pay any amount or take any action required of the Borrower under the Loan Documents that the Borrower fails to pay or take; (f) costs of appraisals, inspections, and verifications of the Collateral, including travel, lodging, and meals for inspections of the Collateral and the Borrower's operations by the Agent plus the Agent's then customary charge for field examinations and audits and the preparation of reports thereof (such charge is currently \$750 per day (or portion thereof) for each agent or employee of the Agent with respect to each field examination or audit); (g) costs and reasonable expenses of forwarding loan proceeds, collecting checks and other items of payment, and establishing and maintaining Payment Accounts and lock boxes; (h) costs and reasonable expenses of preserving and protecting the Collateral; and (i) costs and reasonable expenses (including attorneys' and paralegals' fees and disbursements which shall include the allocated cost of Agent's in-house counsel fees and disbursements) paid or incurred to obtain payment of the Obligations, enforce the Agent's Liens, sell or otherwise realize upon the Collateral, and otherwise enforce the provisions of the Loan Documents, or to defend any claims made or threatened against the Agent arising out of the transactions contemplated hereby (including preparations for and consultations concerning any such matters). The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by the Borrower. All of the foregoing costs and expenses shall be charged to the Borrower's Loan Account as Revolving Loans as described in Section 4.7.

.8 Notices. Except as otherwise provided herein, all notices, demands and

requests that any party is required or elects to give to any other shall be in writing, or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, but not limited to, delivery by overnight mail and courier service, (b) four (4) days after it shall have been mailed by United States mail, first class, certified or registered, with postage prepaid, or (c) in the case of notice by such a telecommunications device, when properly transmitted, in each case addressed to the party to be notified as follows:

-100-

If to the Agent or to the Bank:

Bank of America National Trust & Savings Association
55 South Lake
Suite 900
Pasadena, CA 91101
Attention: Account Executive -- AMD
Telecopy No. (626)578-6072

If to the Borrower:

Advanced Micro Devices, Inc.
AMD International Sales and Service, Ltd.

One AMD Place
Mailstop 89
Sunnyvale, CA 94088
Attention: Treasurer
Telecopy No.: (408) 774-7010

with copies to:

Advanced Micro Devices, Inc.
One AMD Place
Mailstop 150
Sunnyvale, CA 94088
Attention: General Counsel

or to such other address as each party may designate for itself by like notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall not adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

.9 Waiver of Notices. Unless otherwise expressly provided herein, the

Borrower waives presentment, protest and notice of demand or dishonor and protest as to any instrument, notice of intent to accelerate the Obligations and notice of acceleration of the Obligations, as well as any and all other notices to which it might otherwise be entitled. No notice to or demand on the Borrower which the Agent or any Lender may elect to give shall entitle the Borrower to any or further notice or demand in the same, similar or other circumstances.

.10 Binding Effect. The provisions of this Agreement shall be binding upon

and inure to the benefit of the respective representatives, successors, and assigns of the parties hereto; provided, however, that no interest herein may be

assigned by the Borrower without prior written consent of the Agent and each Lender. The rights and benefits of the Agent and the Lenders

-101-

hereunder shall, if such Persons so agree, inure to any party acquiring any interest in the Obligations or any part thereof.

.11 Indemnity of the Agent and the Lenders by the Borrower. The Borrower

agrees to defend, indemnify and hold the Agent-Related Persons, and each Lender and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable Attorney Costs of counsel mutually acceptable to the Borrower and the applicable Indemnified Person) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement, any other Loan Document, or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Borrower shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting solely from the bad faith, gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

.12 Limitation of Liability. No claim may be made by the Borrower, any

Lender or other Person against the Agent, any Lender, or the affiliates, directors, officers, employees, or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Loan Document, or any act, omission or event occurring in connection therewith, and the Borrower and each Lender hereby waive, release and agree not to sue upon any claim for such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

.13 Final Agreement. This Agreement and the other Loan Documents are

intended by the Borrower, the Agent and the Lenders to be the final, complete, and exclusive expression of the agreement between them. This Agreement

supersedes any and all prior oral or written agreements relating to the subject matter hereof. No modification, rescission, waiver, release, or amendment of any provision of this Agreement or any other Loan Document shall be made, except by a written agreement signed by the Borrower and a duly authorized officer of each of the Agent and the requisite Lenders.

.14 Counterparts. This Agreement may be executed in any number of

counterparts, and by the Agent, each Lender and the Borrower in separate counterparts, each of which shall be an original, but all of which shall together constitute one and the same agreement; signature pages

-102-

may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

.15 Captions. The captions contained in this Agreement are for convenience

of reference only, are without substantive meaning and should not be construed to modify, enlarge, or restrict any provision.

.16 Right of Setoff. In addition to any rights and remedies of the Lenders

provided by law, if an Event of Default exists or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the Borrower against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Agent or such Lender shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Agent after any such set-off and application made by such Lender; provided, however, that the failure to

give such notice shall not affect the validity of such set-off and application. NOTWITHSTANDING THE FOREGOING, NO LENDER SHALL EXERCISE ANY RIGHT OF SET-OFF, BANKER'S LIEN, OR THE LIKE AGAINST ANY DEPOSIT ACCOUNT OR PROPERTY OF THE BORROWER HELD OR MAINTAINED BY SUCH LENDER WITHOUT THE PRIOR WRITTEN UNANIMOUS CONSENT OF THE LENDERS.

.17 Joint and Several Liability.

(a) The Borrower shall be liable for all amounts due to the Agent and/or any Lender under this Agreement, regardless of which Borrower actually receives Loans or other extensions of credit hereunder or the amount of such Loans received or the manner in which the Agent and/or such Lender accounts for such Loans or other extensions of credit on its books and records. The Borrower's Obligations with respect to Loans made to it, and the Borrower's Obligations arising as a result of the joint and several liability of the Borrower hereunder, with respect to Loans made to the other Borrower hereunder, shall be separate and distinct obligations, but all such Obligations shall be primary obligations of the Borrower.

(b) The Borrower's Obligations arising as a result of the joint and several liability of the Borrower hereunder with respect to Loans or other extensions of credit made to the other Borrower hereunder shall, to the fullest extent permitted by law, be unconditional irrespective of (i) the validity or enforceability, avoidance or subordination of the Obligations of the other Borrower or of any promissory note or other document evidencing all or any part of the Obligations of the other Borrower, (ii) the absence of any attempt to collect the Obligations from the other Borrower, any other guarantor, or any other security therefor, or the absence of any other action to enforce the same, (iii) the waiver, consent, extension, forbearance or granting of any indulgence by the Agent and/or any Lender with respect to any provision of any instrument evidencing the Obligations of the other Borrower, or any part thereof, or any other agreement

-103-

now or hereafter executed by the other Borrower and delivered to the Agent and/or any Lender, (iv) the failure by the Agent and/or any Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Obligations of the other Borrower, (v) the Agent's and/or any Lender's election, in any proceeding instituted under the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, (vi) any borrowing or grant of a security interest by the other Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code, (vii) the disallowance of all or any portion of the Agent's and/or any Lender's claim(s) for the repayment of the Obligations of the other Borrower under Section 502 of the Bankruptcy Code, or (viii) any other circumstances which might constitute a legal or equitable discharge or defense of a guarantor or of the other Borrower.

With respect to the Borrower's Obligations arising as a result of the joint and several liability of the Borrower hereunder with respect to Loans or other extensions of credit made to either of the other Borrower hereunder, the Borrower waives, until the Obligations shall have been paid in full and the Loan Agreement shall have been terminated, any right to enforce any right of subrogation or any remedy which the Agent and/or any Lender now has or may hereafter have against the Borrower, any endorser or any guarantor of all or any part of the Obligations, and any benefit of, and any right to participate in, any security or collateral given to the Agent and/or any Lender to secure payment of the Obligations or any other liability of the Borrower to the Agent and/or any Lender.

Upon any Event of Default, the Agent may proceed directly and at once, without notice, against the Borrower to collect and recover the full amount, or any portion of the Obligations, without first proceeding against the other Borrower or any other Person, or against any security or collateral for the Obligations. The Borrower consents and agrees that the Agent shall be under no obligation to marshal any assets in favor of the Borrower or against or in payment of any or all of the Obligations.

.18 Contribution and Indemnification among the Borrowers. Each Borrower is

obligated to repay the Obligations as joint and several obligors under this Agreement. To the extent that any Borrower shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Loans made to another Borrower hereunder or other Obligations incurred directly and primarily by any other Borrower (an "Accommodation Payment"), then the Borrower making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Borrowers in an amount, for each of such other Borrowers, equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Borrower's "Allocable Amount" (as defined below) and the denominator of which is the sum of the Allocable Amounts of all of the Borrowers. As of any date of determination, the "Allocable Amount" of each Borrower shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Borrower hereunder without (a) rendering such Borrower "insolvent" within the meaning of Section 101 (31) of the Bankruptcy Code, Section 2 of the Uniform Fraudulent Transfer Act ("UFTA") or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (ii) leaving such Borrower with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA, or (iii) leaving such Borrower unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or

-104-

Section 4 of the UFTA, or Section 5 of the UFCA. All rights and claims of contribution, indemnification and reimbursement under this section shall be subordinate in right of payment to the prior payment in full of the Obligations. The provisions of this section shall, to the extent expressly inconsistent with any provision in any Loan Document, supersede such inconsistent provision.

.19 Agency of the Parent for each other Borrower. AMDISS hereby

irrevocably appoints the Parent as its agent for all purposes relevant to this Agreement and each of the other Loan Documents, including the giving and receipt of notices and execution and delivery of all documents, instruments and certificates contemplated herein and all modifications hereto. Any acknowledgement, consent, direction, certification or other action which might otherwise be valid or effective only if given or taken by both of the Borrowers or each acting singly, shall be valid and effective if given or taken only by the Parent, whether or not AMDISS joins therein.

.20 Priority of Obligations. The parties acknowledge that the Obligations

under this Agreement (a) shall be pari passu in right of payment with the senior notes issued under the Indenture, and (b) shall be senior to the Convertible Subordinated Notes issued pursuant to an Indenture dated May 8, 1998 between the Parent and The Bank of New York, as trustee.

[Signature pages follow.]

-105-

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

"BORROWER"

ADVANCED MICRO DEVICES, INC.

By /s/ Francis P. Barton

Name: Francis P. Barton

Title: Senior Vice President,

Chief Financial Officer

AMD INTERNATIONAL SALES AND
SERVICE, LTD.

By /s/ Francis P. Barton

Name: Francis P. Barton

Title: President, Chief Financial

Officer & Treasurer

"AGENT"

BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION, as the Agent

By /s/ Kevin R. Kelly

Name: Kevin R. Kelly

Title: Vice President

"LENDERS"

Commitment: \$200,000,000
Pro Rata Share: 100%

BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION, as a Lender

By /s/ Kevin R. Kelly

Name: Kevin R. Kelly

Title: Vice President

-106-

EXHIBIT A

FORM OF BORROWING BASE CERTIFICATE

-1-

EXHIBIT B

FORM OF NOTICE OF BORROWING

Date: _____

To: Bank of America NT&SA as Agent for the Lenders who are parties to the Loan
and Security Agreement dated as of July 13, 1999 (as extended, renewed,
amended or restated from time to time, the "Loan and Security Agreement")

among Advanced Micro Devices, Inc., AMD International Sales and Service,
Ltd., certain Lenders which are signatories thereto and Bank of America
NT&SA, as Agent

Ladies and Gentlemen:

The undersigned, Advanced Micro Devices, Inc. (the "Parent"), refers to the

Loan and Security Agreement, the terms defined therein being used herein as

therein defined, and hereby gives you notice irrevocably of the Borrowing specified below:

1. The applicable Borrower is _____.
2. The Business Day of the proposed Borrowing is _____.
3. The aggregate amount of the proposed Borrowing is \$ _____.
4. The Borrowing is to be comprised of \$ _____ of Base Rate Loans and \$ _____ of LIBOR Rate Loans.
5. The duration of the Interest Period for the LIBOR Rate Loans, if any, included in the Borrowing shall be [one][two][three][six] months.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) The representations and warranties of the Borrower contained in the Loan and Security Agreement are true and correct as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date, in which case it shall have been true and correct as of such earlier date);

(b) No Default or Event of Default has occurred and is continuing, or would result from such proposed Borrowing; and

-1-

(c) The proposed Borrowing will not cause the aggregate principal amount of all outstanding Revolving Loans, plus the aggregate amount available for drawing under all outstanding Letters of Credit to exceed the Availability or the combined Commitments of the Lenders.

ADVANCED MICRO DEVICES, INC.

By: _____
Title: _____

-2-

EXHIBIT C

NOTICE OF CONVERSION/CONTINUATION

Date: _____

To: Bank of America NT&SA as Agent for the Lenders party to the Loan and Security Agreement dated as of July 13, 1999 (as extended, renewed, amended or restated from time to time, the "Loan and Security Agreement") among _____
Advanced Micro Devices, Inc., AMD International Sales and Service, Ltd., certain Lenders which are signatories thereto and Bank of America NT&SA as Agent

Ladies and Gentlemen:

The undersigned, Advanced Micro Devices, Inc. (the "Parent"), refers to the _____ Loan and Security Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably of the [conversion] [continuation] of the Loans specified herein, that:

1. The applicable Borrower is _____.
2. The Conversion/Continuation Date is _____.
3. The aggregate amount of the Loans to be [converted] [continued] is \$ _____.

4. The Loans are to be [converted into] [continued as] [LIBOR Rate] [Base Rate] Loans.

5. The duration of the Interest Period for the LIBOR Rate Loans included in the [conversion] [continuation] shall be [one] [two] [three] [six] months.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the proposed Conversion/Continuation Date, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) The representations and warranties of the Borrower contained in the Loan and Security Agreement are true and correct as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date, in which case it shall have been true and correct as of such earlier date);

(b) No Default or Event of Default has occurred and is continuing, or would result from such proposed [conversion] [continuation]; and

-1-

(c) The proposed conversion-continuation will not cause the aggregate principal amount of all outstanding Revolving Loans plus the aggregate amount available for drawing under all outstanding Letters of Credit to exceed the Availability or the combined Commitments of the Lenders.

ADVANCED MICRO DEVICES, INC.

By: _____
Title: _____

-2-

EXHIBIT D

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") dated as of _____ is made between _____ (the "Assignor") and _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Loan and Security Agreement dated as of July 13, 1999 (as amended, amended and restated, modified, supplemented or renewed, the "Loan Agreement") among Advanced Micro Devices, Inc., a Delaware corporation (the "Borrower"), the several financial institutions from time to time party thereto (including the Assignor, the "Lenders"), and Bank of America NT&SA, as agent for the Lenders (the "Agent"). Any terms defined in the Loan Agreement and not defined in this Assignment and Acceptance are used herein as defined in the Loan Agreement;

WHEREAS, as provided under the Loan Agreement, the Assignor has committed to making Loans (the "Committed Loans") to the Borrower in an aggregate amount not to exceed \$_____ (the "Commitment");

WHEREAS, the Assignor has made Committed Loans in the aggregate principal amount of \$_____ to the Borrower

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Loan Agreement in respect of its Commitment, together with a corresponding portion of each of its outstanding Committed Loans, in an amount equal to \$_____ (the "Assigned Amount") on the terms and subject to the conditions set forth herein and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) ___% (the "Assignee's Percentage Share") of (A) the Commitment and the Committed Loans of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Loan Agreement and the Loan Documents.

-1-

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Loan Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Loan Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Loan Agreement to the extent such obligations have been assumed by the Assignee; provided, however, the Assignor shall not relinquish its rights under Sections 15.11 of the Loan Agreement.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignee's Commitment will be \$_____.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignor's Commitment will be \$_____.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to \$_____, representing the Assignee's Pro Rata Share of the principal amount of all Committed Loans.

(b) The Assignee further agrees to pay to the Agent a processing fee in the amount specified in Section (__) of the Loan Agreement.

3. Reallocation of Payments.

Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment and Committed Loans shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision.

The Assignee (a) acknowledges that it has received a copy of the Loan Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of the Borrower, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent or any

-2-

other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Loan Agreement.

5. Effective Date; Notices.

(a) As between the Assignor and the Assignee, the effective date for this Assignment and Acceptance shall be _____ (the "Effective Date");

provided that the following conditions precedent have been satisfied on or

before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by the Assignor and the Assignee;

[(ii) the consent of the Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;]

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

(iv) the Assignee shall have complied with Section 14.10 of the Loan Agreement (if applicable);

(v) the processing fee referred to in Section 2(b) hereof and in Section 13.3 of the Loan Agreement shall have been paid to the Agent; and

(b) Promptly following the execution of this Assignment and Acceptance, the Assignor shall deliver to the Borrower and the Agent for acknowledgment by the Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

6. Agent.

(a) The Assignee hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the Lenders pursuant to the terms of the Loan Agreement.

(b) [INCLUDE ONLY IF ASSIGNOR IS AGENT] [The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Loan Agreement.]

7. Withholding Tax.

The Assignee (a) represents and warrants to the Lender, the Agent and the Borrower that under applicable law and treaties no tax will be required to be withheld by the Lender with respect to any payments to be made to the Assignee hereunder, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to the Agent and the Borrower prior to the time that the Agent or Borrower is required to make any

-3-

payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein the Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms 4224 or 1001 upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by the Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Borrower, or the performance or observance by the Borrower, of any of its respective obligations under the Loan Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance; and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any

-4-

Person is required of it for such execution, delivery or performance; (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances.

The Assignor and the Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to the Borrower or the Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other or further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in California over any suit, action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such California State or Federal court. Each party to this Assignment and Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A

-5-

TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE LOAN AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this

Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____
Title: _____

By: _____
Title: _____

Address: _____

[ASSIGNEE]

By: _____
Title: _____

By: _____
Title: _____

Address: _____

-6-

SCHEDULE 1

NOTICE OF ASSIGNMENT AND ACCEPTANCE

Bank of America NT&SA

Attn: _____

Advanced Micro Devices, Inc.

Attn: _____

Re: Advanced Micro Devices, Inc.

Ladies and Gentlemen:

We refer to the Loan and Security Agreement dated as of July 13, 1999 (as amended, amended and restated, modified, supplemented or renewed from time to time the "Loan Agreement") among Advanced Micro Devices, Inc. and AMD

International Sales and Service, Ltd. (collectively, the "Borrower"), the

Lenders referred to therein and Bank of America NT&SA, as agent for the Lenders (the "Agent"). Terms defined in the Loan Agreement are used herein as therein

defined.

1. We hereby give you notice of, and request the Agent's consent to, the assignment by _____ (the "Assignor") to _____ (the "Assignee") of ____% of the right, title and interest of the Assignor in and to

the Loan Agreement (including the right, title and interest of the Assignor in and to the Commitments of the Assignor and all outstanding Loans made by the Assignor pursuant to the Assignment and Acceptance Agreement attached hereto (the "Assignment and Acceptance"). We understand and agree that the Assignor's

Commitment, as of _____, is \$ _____, and the aggregate amount of its outstanding Loans is \$ _____.

2. The Assignee agrees that, upon receiving the consent of the Agent to such assignment, the Assignee will be bound by the terms of the Loan Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest in the Loan Agreement.

-7-

3. The following administrative details apply to the Assignee:

(A) Notice Address:

Assignee name: _____
Address: _____

Attention: _____
Telephone: (____) _____
Telecopier: (____) _____
Telex (Answerback): _____

(B) Payment Instructions:

Account No.: _____
At: _____

Reference: _____
Attention: _____

4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and Assignee contained in the Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By: _____

Title: _____

[NAME OF ASSIGNEE]

By: _____

Title: _____

-8-

ACKNOWLEDGED AND ASSIGNMENT
CONSENTED TO:

Bank of America NT&SA,
as Agent

By: _____
Title: _____

-9-

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment")

is entered into as of July 30, 1999, among ADVANCED MICRO DEVICES, INC., a Delaware corporation ("AMD"), AMD INTERNATIONAL SALES AND SERVICE, LTD., a Delaware corporation ("AMDISS") (AMD and AMDISS individually and collectively, the "Borrower"), the several financial institutions party to the Loan Agreement

referred to below (each a "Lender" and, collectively, the "Lenders"), and BANK OF AMERICA, N.A. (formerly Bank of America National Trust and Savings Association), as administrative agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower, the Lenders and the Agent entered into a Loan and Security Agreement dated as of July 13, 1999 (as in effect as of the date of this Amendment, the "Loan Agreement"); and

WHEREAS, the Borrower has requested that the Majority Lenders agree to certain amendments to the Loan Agreement, and the Majority Lenders have agreed to such request, subject to the terms and conditions of this Amendment;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions; References; Interpretation.

(a) Unless otherwise specifically defined herein, each term used herein (including in the Recitals hereof) which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement.

(b) Each reference to "this Amendment", "hereof", "hereunder", "herein" and "hereby" and each other similar reference contained in the Loan Agreement, and each reference to "the Loan Agreement" and each other similar reference in the other Loan Documents, shall from and after the Effective Date (defined below) refer to the Loan Agreement as amended hereby.

(c) The rules of interpretation set forth in Section 1.3 of the Loan Agreement shall be applicable to this Amendment.

2. Amendments to Loan Agreement. Subject to the terms and conditions hereof, the Loan Agreement is amended as follows, effective as of the Effective Date:

(a) Section 1.1 of the Loan Agreement is hereby amended as follows:

(i) The following new defined terms shall be inserted in proper alphabetical order as follows:

"Dresden Agreements" has the meaning specified in Section 9.14."

"FASL Agreements" has the meaning specified in Section 9.14."

"FASL Documents" has the meaning specified in Section 6.1(a).

(ii) The definition of "Borrowing Base Certificate" is hereby amended by deleting the words "five (5) Business Days prior to the date of such certificate" and substituting therefor the following:

"(i) seven (7) Business Days prior to the date of such certificate, if such certificate is required to be delivered on a monthly basis under Section 6.7, and (ii) three (3) Business Days prior to the date of such certificate, if such certificate is required to be delivered on a weekly basis under Section 6.7,"

(iii) The definition of "Permitted Liens" shall be amended by (A) deleting the word "and" at the end of subsection (k), (B) redesignating subsection (l) as subsection "(m)" and (C) inserting a new subsection (l) as follows:

"(l) Liens in favor of the Bank on cash collateral not

exceeding \$8,115,000 securing obligations of the Parent and certain of its Subsidiaries in respect of certain letters of credit and other financial accommodations provided by the Bank which are outstanding as of the Closing Date and which may from time to time be provided by the Bank and outstanding after the Closing Date; and"

(b) Section 6.1(a) of the Loan Agreement is hereby amended as follows:

(i) Clause (iii) shall be amended by inserting immediately after the word "documents" the following parenthetical: "(as such term is defined in the UCC)".

(ii) Clause (vii) shall be amended by inserting immediately after the words "all books, records and other property related to or referring to any of the foregoing" the following parenthetical:

"(but subject to the paragraph immediately following clause (viii) below)"

(iii) Clause (viii) shall be amended by inserting immediately after the words "all accessions to, substitutions for and replacements, products and proceeds of any of the foregoing" the following parenthetical:

"(but subject to the immediately succeeding paragraph)"

(iv) The final paragraph of Section 6.1(a) shall be amended and restated in its entirety as follows:

"All of the foregoing and all other property of the Borrower in which the Agent or any Lender may at any time be granted a Lien, is herein collectively referred to as the "Collateral." Notwithstanding the foregoing provisions of this Section 6.1, such

grant of a security interest shall not extend to, and the term "Collateral" shall not include:

(i) any General Intangibles of the Borrower consisting of licenses, leases or other contracts or any Accounts payable to the Parent by FASL (such Accounts, the "FASL Accounts") or any chattel paper, documents or instruments evidencing any rights to payment or other obligations of FASL to the Parent (the "FASL Documents"), to the extent that (A) such General Intangibles, FASL Accounts or FASL Documents are not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto, including the FASL Agreements (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (B) such consent has not been obtained; provided, however, that the foregoing grant of security

interest shall extend to, and the term "Collateral" shall include (but subject to the exclusions from the definition of General Intangibles set forth in clauses (a) and (b) of such definition), (1) any General Intangible which is a proceed of, or otherwise related to the enforcement or collection of, any Account (other than any FASL Account which is excludable as provided above), (2) any and all proceeds of any General Intangibles and of the FASL Accounts or FASL Documents which are otherwise excluded to the extent that the assignment or encumbrance of such proceeds is not so restricted, and (3) upon obtaining the consent of any such licensor, lessor or other applicable party with respect to any such otherwise excluded General Intangibles, FASL Accounts or FASL Documents (it being understood by the parties that the Borrower shall be under no obligation hereunder to obtain any such consent), such General Intangibles, FASL Accounts and FASL Documents, as well as any and all proceeds thereof, that might have theretofore have been excluded from such grant of a security interest and the term "Collateral"; and

(ii) any Accounts payable to the Parent by the German Subsidiary (such Accounts, the "German Subsidiary Accounts") or any General Intangibles or chattel paper, documents or instruments evidencing any rights to payment or other obligations of the German Subsidiary to the Parent, including the Dresden Agreements, and any proceeds thereof.

(c) Section 6.7 is hereby amended by amending and restating clause (b) in its entirety as follows:

"(b) on a monthly basis, (i) within seven (7) Business Days after the end of each month, an aging of the Borrower's Accounts, together with a reconciliation to the previous month's or week's, as the case may be, aging of the Borrower's Accounts and to the Borrower's general ledger; (ii) within ten (10) Business Days after the end of each month, an aging of the Borrower's accounts payable; and (iii) within

ten (10) Business Days after the end of each month, Inventory reports by category, with additional detail showing additions to and deletions from the

Inventory;"

(d) Section 9.14 of the Loan Agreement is hereby amended by (i) adding the parenthetical "(the "Dresden Agreements")" after the words "and related agreements" in subsection (a), and (ii) adding the parenthetical "(the "FASL Agreements")" after the words "and related agreements" in subsection (b).

(e) Section 9.20 of the Loan Agreement is hereby amended by deleting the dollar figure "\$1,500,000,000" and substituting therefor "\$1,050,000,000".

(f) Section 11.1(k) of the Loan Agreement is hereby amended by deleting the comma after the word "unsatisfied" and substituting therefor the word "or".

3. Representations and Warranties. The Borrower hereby represents and

warrants to the Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing (or would result from the amendment of the Loan Agreement contemplated hereby).

(b) The execution, delivery and performance by the Borrower of this Amendment and the Loan Agreement (as amended by this Amendment) have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable.

(c) This Amendment and the Loan Agreement (as amended by this Amendment) constitute the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms.

(d) All representations and warranties of the Borrower contained in the Loan Agreement are true and correct (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date).

(e) The Borrower is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Agent and the Lenders or any other Person.

(f) The Borrower's obligations under the Loan Agreement and under the other Loan Documents are not subject to any defense, counterclaim, set-off, right of recoupment, abatement or other claim.

4. Conditions of Effectiveness.

(a) This Amendment shall be effective as of the date hereof (the "Effective Date"), provided that the Agent shall have received from the Borrower and the Majority Lenders a duly executed original (or, if elected by the Agent, an executed facsimile copy) of this Amendment.

(b) From and after the Effective Date, the Loan Agreement is amended as set forth herein. Except as expressly amended pursuant hereto, the Loan Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects.

(c) The Agent will notify the Borrower and the Lenders of the occurrence of the Effective Date.

5. Good Standing Certificates. The Borrower hereby agrees to provide to the

Agent by not later than August 16, 1999, a good standing certificate and tax good standing certificate for the Borrower from the Secretary of State (or other appropriate Governmental Authority) of Delaware, California and Texas as of a recent date reasonably acceptable to the Agent.

6. Waiver of Payment of Fees. The Agent hereby waives payment of the fees due

and payable on the Loan Availability Date under the Fee Letter, provided that all such fees shall be due and payable by the Borrower on August 2, 1999.

7. Miscellaneous.

(a) The Borrower acknowledges and agrees that the execution and delivery by the Agent and the Lenders of this Amendment shall not be deemed to create a course of dealing or an obligation to execute similar waivers or

amendments under the same or similar circumstances in the future.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California, provided that the Agent and the Lenders

shall retain all rights arising under Federal law.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or the Borrower shall bind such Lender or the Borrower, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

(e) This Amendment contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein. This Amendment supersedes all prior drafts and communications with respect hereto. This Amendment may not be amended except in accordance with the provisions of Section 13.2 of the Loan Agreement.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment, the Loan Agreement or the Loan Documents.

(g) The Borrower agrees to pay or reimburse BofA (including in its capacity as Agent), upon demand, for all reasonable costs and expenses (including reasonable Attorney Costs) incurred by BofA (including in its capacity as Agent) in connection with the development, preparation, negotiation, execution and delivery of this Amendment.

[signature pages follow]

Exhibit 10.51(a)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California by their proper and duly authorized officers as of the day and year first above written.

ADVANCED MICRO DEVICES, INC.

By: /s/ John Patterson

Name: John Patterson
Title: Treasurer

AMD INTERNATIONAL SALES AND SERVICE,
LTD.

By: /s/ John Patterson

Name: John Patterson
Title: Assistant Treasurer

BANK OF AMERICA, N.A., as Agent and as a
Lender

By: /s/ Kevin R. Kelly

Name: Kevin R. Kelly
Title: Vice President

June 16, 1999

Mr. Richard Previte
President and Co-Chief Operating Officer
Advanced Micro Devices, Inc.
One AMD Place
Sunnyvale, California 94088

Dear Rich:

The following constitutes the complete agreement between you and Advanced Micro Devices, Inc. ("AMD" or the "Company") concerning your continued employment with the Company.

1. Position and Duties. You shall serve as Vice Chairman on a full-time basis

until the Company's Annual Meeting in 2000 reporting to the Company's Chairman of the Board and Chief Executive Officer. During this period and through the date of the Company's Annual Meeting in April 2000, you shall continue to serve on the Company's Board of Directors.

2. Compensation and Benefits. As full and complete compensation to you for the

performance of your services, the Company shall pay to you and you agree to accept the following compensation and benefits.

(a) Base Salary. You shall receive a base salary, payable in

accordance with the Company's standard payroll practices for senior executives, but not less frequently than monthly, at an annual rate of \$770,340 ("Base Salary") through April 30, 2000. Your Base Salary shall be increased in 1999 and in 2000 by the percentage increase in the Consumer Price Index for Urban Wage Earners, San Francisco, published by the Bureau of Labor Statistics by the U.S. Department of Labor ("CPI-W"), from calendar year 1998 to calendar year 1999 and from calendar year 1999 to calendar year 2000 respectively; such CPI-W increases will begin to be paid when the other Company corporate officers receive base salary increases in 1999 and 2000 respectively.

(b) Participation in Executive Officer Bonus Plan. You shall be

eligible to receive a bonus for the year ending December 31, 1999 under the Company's Executive Officer Bonus Plan in accordance with the special bonus program provided to you and attached hereto as Exhibit A ("Bonus Payments").

(c) Stock Options and Restricted Stock Awards. You have received

stock options and restricted stock awards while you have been employed by the Company. A schedule of the exercise and vesting schedules for such options and restricted stock awards is set forth as Exhibit B attached hereto. You will not

be eligible

Richard Previte
June 16, 1999

for additional grants or awards of stock options or restricted stock, except as may be determined by the Compensation Committee of the Board of Directors.

(d) Participation in Benefit Plans. You shall participate while in

the employ of the Company in any medical, dental, disability, life insurance, retirement, savings, vacation, sick leave or other plans or programs established for the benefit of the Company's corporate officers to the extent that you meet the participation and eligibility requirements of such plans or programs. The current benefit plans and programs maintained by the Company are set forth in Exhibit C attached hereto.

3. Paid Leave of Absence. Commencing on a date of your choice between October

1, 1999 and May 1, 2000, and continuing for a period of one year, you shall be eligible for a paid leave of absence with full Base Salary, payable monthly. While you are on such paid leave of absence: (i) you will be eligible to participate in the Company's benefit plans and programs set forth in Exhibit D

and in any retirement program the Company may adopt prior to the end of your paid leave of absence (except that you shall not be eligible to accrue additional vacation benefits or accrue additional retirement benefits during the paid leave of absence period) provided that you meet the participation and eligibility requirements for such plans and programs, (ii) you will continue to be treated as an employee for purposes of the vesting and exercise provisions of all stock option awards, (iii) the company will provide you at its expense an office and an administrative assistant; and (iv) you will continue to receive Company Car Plan A monthly payments.

4. Termination of Employment or Paid Leave of Absence. The Company may

terminate your employment or paid leave of absence at any time. If the Company terminates your employment or paid leave of absence prior to April 30, 2001 other than for Cause (as defined below), then: (i) you shall be entitled to continue to receive your Base Salary through April 30, 2001, (ii) you shall be entitled to receive any Bonus Payments that you would have received pursuant to Section 2(b) of this Agreement at the same time that AMD corporate officers receive their bonus payments, and (iii) all stock options that would have been exercisable on or before April 30, 2001 shall continue to remain exercisable through April 30, 2002. If you voluntarily terminate your employment on or after October 1, 1999 but before May 1, 2000, and do not Compete with the Company (as defined below), then (i) you shall be entitled to receive your Base Salary for one year following the date of the termination, (ii) you shall be entitled to receive any Bonus Payments that you would have received pursuant to Section 2(b) of the Agreement at the same time that AMD corporate officers receive their bonus payments (except that you shall only be entitled to a pro-rated bonus payment for 1999 if you voluntarily terminate before the end of the year), and (iii) all vested stock options shall be exercisable for one year from the date of termination (as currently provided in your stock option grant agreements). If you voluntarily terminate your employment on or after May 1, 2000 and do not Compete with the Company (as defined below), then: (i) you shall be entitled to continue to receive your Base Salary through April 30, 2001, (ii) you shall be entitled to

2

Richard Previte
June 16, 1999

receive any Bonus Payments that you would have received pursuant to Section 2(b) of this Agreement at the same time that AMD corporate officers receive their bonus payments, and (iii) all vested stock options shall be exercisable for one year from the date of termination (as currently provided in your stock option grant agreements). If the Company terminates your employment or paid leave of absence for Cause before April 30, 2001, or you voluntarily terminate your employment for any reason to Compete with the Company, or you voluntarily terminate your paid leave of absence for any reason to Compete with the Company, then all rights to payment of Base Salary and Bonus Payments and participation in the Company's benefit plans and programs shall terminate (except that you shall be entitled to any accrued Salary and vacation benefits) and all rights to continued vesting with respect to stock option grants or restricted stock awards shall terminate, except as may otherwise be provided in such stock option grants or restricted stock award agreements.

The term "Cause" shall mean (i) gross negligence or willful misconduct

in the performance of your duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries; (ii) repeated failure to perform duties assigned by the Chief Executive Officer; (iii) repeated unexplained or unjustified absence from the Company; (iv) a material and willful violation of any federal or state law; (v) commission of any act of fraud with respect to the Company; or (vi) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board of Directors.

The term "Compete with the Company" means your directly or indirectly

owning (other than ownership of not more than a 1% interest in a public company), operating, controlling or being connected with as a director, officer, employee, partner, consultant or otherwise, any entity or person that competes directly with the Company in the business the Company is engaged in at any time you are receiving payments hereunder.

5. Termination Due to Death. If your employment terminates because you die,

then (i) your Base Salary shall be paid to your estate for a maximum period of one year but no later than April 30, 2001, and (ii) your stock options shall continue to vest and be exercisable as provided in AMD's stock option plans and in your stock option grant agreements with AMD. During the time that your Base Salary is being paid to your estate, your estate shall be entitled to receive any cost of living CPI-W increase under Section 2(a) of the Agreement that you

would have received had you been living and still employed with AMD.

6. COBRA. Upon your termination of employment or paid leave of absence, you

shall be eligible for continuation of the Company's health insurance programs as provided by the Consolidated Budget Reconciliation Act of 1985, as amended ("COBRA") until the earlier of (i) eighteen (18) months after the month of your termination of employment or

Richard Previte
June 16, 1999

paid leave of absence or (ii) the date you become covered under another employer's group health, dental or vision insurance plans. During the period of COBRA coverage, the Company will pay all COBRA premiums on such health insurance unless (i) the Company terminates your employment or paid leave of absence for Cause, (ii) you voluntarily terminate your employment for any reason before May 1, 2000 or (iii) you voluntarily terminate your paid leave of absence on or after May 1, 2000 and before April 30, 2001 to Compete with the Company.

7. Release. In exchange for the benefits described in Section 2, you agree to

execute the release (the "Release") attached to this Agreement as Exhibit E

on or promptly following your termination of employment.

8. Non Solicitation and Confidential Information. You and the Company agree

that from the date hereof through one year following your termination of employment: (i) you will not disrupt, damage, impair or interfere with the business of the Company, or disparage the Company in any way, or directly or indirectly solicit the services of any Company employee for another employer, or otherwise induce or attempt to induce such employees to terminate their employment with the Company and (ii) the Company and its officers will not disrupt, damage or impair your reputation or disparage you. You acknowledge that while employed by the Company you had access to, acquired and assisted in the development of confidential and proprietary information, inventions and trade secrets relating to the present and anticipated business and operations of the Company, including without limitation, product information, customer information, process and other technology information, sales and marketing methods, marketing plans, sales forecasts, product plans and personnel data regarding employees of the Company, including salaries, and other benefit and compensation information not available to the public. You agree to promptly return to the Company all copies and originals of documents, data, records, computer software and documentation, notebooks, customer lists, business plans, competitive analyses, pricing schedules, bulletins, manuals, telephone and sales directories, production cost and purchasing and marketing information or other information pertaining to the Company's business. You hereby acknowledge your obligation to keep this and all confidential, proprietary and trade secret information confidential, and understand that this obligation is of the utmost importance to the Company. You agree to keep confidential and not to disclose or use, either directly or indirectly, confidential or proprietary information, without the prior written consent of the Company, or until the information otherwise becomes public knowledge. Your obligations regarding confidential, proprietary and trade secret information will be reviewed with you during a Legal exit interview prior to the commencement of your leave of absence.

9. Successors. Any successor to the Company (whether direct or indirect and

whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be

Richard Previte
June 16, 1999

required to perform such obligations in the absence of a succession. The terms of this Agreement and all of your rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Miscellaneous Provisions.

(a) At-Will Employment. The Company and you acknowledge that your

employment is and shall continue to be "at will" and that your employment with the Company may be terminated by Company or you at any time for any or no

reason, or upon your death or disability. Upon your termination, you shall be entitled to payments or compensation and benefits only as provided in this Agreement. The rights and duties created by this Agreement may not be modified in any way except by a written agreement executed by you and by an officer of the Company upon direction from the Board of Directors.

(b) No Duty to Mitigate. You shall not be required to mitigate the

amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that you may receive from any other source.

(c) Whole Agreement. No agreements, representations or understandings

(whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) Choice of Law. The validity, interpretation, construction and

performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) Arbitration. Any dispute or controversy arising under or in

connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Santa Clara, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(f) Employment Taxes. All payments made pursuant to this Agreement

will be subject to withholding of applicable income and employment taxes.

5

Richard Previte
June 16, 1999

You should consult legal counsel prior to execution of this Agreement especially with respect to the waiver and release provisions. You may also wish to review this with financial counsel.

I look forward to your continued employment with the Company.

Sincerely,

W.J. Sanders, III
Chairman and Chief Executive Officer

I ACCEPT AND AGREE TO THE ABOVE AS OF THE BELOW DATE:

Richard Previte

Date

6

EXHIBIT A

[AMD Letterhead]

Mr. Richard Previte
President & Chief Operating Officer
Advanced Micro Devices, Inc.

Dear Rich:

I am pleased to confirm your participation in a special bonus program to reflect your contributions as President & Chief Operating Officer of Advanced Micro Devices, Inc. (the "Company"), effective March 11, 1997. The substantive terms of your bonus are described below. If you agree to the terms outlined in this letter, please countersign the enclosed copy of this letter and return it to the Corporate Secretary.

1. The amount of your bonus under the Company's 1996 Executive Incentive Plan will be equal to three-tenths of one percent (.3%) of "Adjusted Operating Profits" of the Company for each respective fiscal year of the Company in excess of twenty percent (20%) of the Adjusted Operating Profits for the Company's immediately preceding fiscal year. "Adjusted Operating Profits" of the Company are defined as operating income, as reported on the Company's financial statements, increased for any pre-tax operating income and decreased for any pre-tax operating loss from the Fujitsu Joint Venture (and by subsequent joint ventures approved by the Board of Directors of the Company for these purposes) and increased by any expenses accrued for profit sharing plan contributions and bonuses under the Company's Executive Bonus Plan, including the bonus calculated hereunder.

2. You will earn a bonus for 1997 and future years, so long as you remain President & Chief Operating Officer, except as otherwise set forth in this letter. The provisions of this letter supersede any other bonus arrangements that may be applicable to you.

3. The maximum amount payable with respect to any one fiscal year shall be limited to 300% of your base salary payable during that year. Any amount earned in excess of the maximum amount shall be carried over for up to three years. Notwithstanding the foregoing, the total amount payable with respect to each such fiscal year may not exceed the maximum amount payable pursuant to the Company's 1996 Executive Incentive Plan for any fiscal year.

4. In case of retirement, death or disability, or a change in title or current responsibilities, your bonus will be prorated for the fiscal year only if you served as President & Chief Operating Officer for less than six months, if you served as President & Chief Operating Officer for six months or more, you will earn an amount based on operating results for the full fiscal year. For these purposes, "disability" has

7

[AMD Logo]

Mr. Richard Previte
Page 2

the same meaning as under the Executive Disability Plan at the time your disability commences.

5. The bonus will be paid following release of the Company's financial results for the last quarter of each fiscal year referred to above. You must be employed on the distribution date in order to receive your bonus or any carryover amount then payable. The bonus will be paid provided you are still an employee on the distribution date, even if you are no longer President & Chief Operating Officer.

6. The Company reserves the right to modify or terminate this arrangement at its sole discretion with respect to future services.

I look forward to continuing to work closely with you as we achieve our shared vision of an AMD that is truly world class in every respect.

Sincerely,

/s/ W. J. Sanders III

W. J. Sanders III
Chairman and Chief Executive Officer

AGREED:

/s/ Richard Previte 7-17-98

Richard Previte
President & Chief Operating Officer

8

Exhibit "B"

STOCK/OPTION PROJECTION

Rich Previte

Target Annual Option Grant Vesting: 100,000

<TABLE>
<CAPTION>

Outstanding Shares 2003	Type of Grant	Grant Date	Exercise Price	Vested thru 3/31/99	Vesting			
					1999	2000	2001	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
45,000	Options	5/22/91	\$13.00	45,000				
123,050	Options	12/3/91	\$14.88	123,050				
25,000	Options	5/18/93	\$28.50	25,000				
152,500	Options	4/27/94	\$26.88	152,500				
100,000	Options	5/8/95	\$35.88	100,000				
100,000	Options	4/25/96	\$18.75	50,000	50,000			
25,000	PRS/Optn	10/12/96	\$ 0.01			25,000		
100,000	Options	4/23/97	\$37.50	50,000	50,000			
30,000	Options	04/30/98	\$ 0.01			30,000		
100,000	Options	04/30/98	\$27.75			100,000		
30,000	Options	10/14/98	\$ 0.01			30,000		
830,550		Subtotals		545,550	100,000	185,000	0	0
0								

</TABLE>

9

Exhibit C

AMD Benefits for
Richard Previte

- . AMD Health Plan--Employee and spouse
- . AMD Dental Plan--Employee and spouse
- . Employee Assistance Program (EAP)
- . Cole Vision Discount Program
- . Executive Long Term Disability Plan
- . California Voluntary Short Term Disability Plan
- . Executive Life Insurance--\$2,000,000
- . Accidental Death and Disability (AD&D)--\$350,000, spouse is covered for 45%
- . Business Travel Accident Insurance
- . Health Care Reimbursement Account
- . Executive Physical Exam
- . 401(k) Retirement Saving Plan
- . Cash and Deferred Profit Sharing Plan
- . 415 Excess Benefit Plan
- . Executive Savings Plan
- . Financial Planning Services
- . Company Car Plan A
- . Exempt Employee Sick Leave
- . Vacation
- . Holidays
- . Sabbatical--The sabbatical must be taken in whole while employed on a full-time basis by AMD. If a sabbatical is not completed by April 30, 2000, the

Continuation of Benefits on Termination of Employment

Effective as of midnight April 30, 2000, your participation in AMD's employee and officer benefits will end. However, certain benefits can or will be extended at that time, as follows:

AMD Health, Dental & Vision Plans

You can elect continued medical, dental and vision coverage for yourself and your wife in accordance with federal "COBRA" regulations upon your continued payment of the full monthly premiums. You may continue such insurance for up to 18 months beyond April 30, 2000, or until you and your wife are covered by Medicare Part A, if earlier. Coverage under Medicare Parts A and B for yourself and your wife can start as early as February 1, 2000. AMD will pay your COBRA premium through December 31, 2000.

Health Care Reimbursement Account

If, at the date of your retirement, you are enrolled in a health care reimbursement account (as you are currently), you will have access to the balance in that account through September 28, 2000 for eligible expense incurred prior to July 1, 2000.

Retirement Savings Plan

Although you will no longer be eligible to defer salary under this plan, you may elect to defer distribution of the account until you are age 70 1/2. You will maintain the right to change your investment options. You can transfer your account at any time to a rollover IRA.

Profit Sharing Program

You will be eligible for a pro rata share of any profit sharing contributions that are approved for U.S. employees for the profit-sharing period ending June 30, 2000. You may elect to defer distribution of your Deferred Profit Sharing Plan account until you are age 70 1/2. You will maintain the right to change your investment allocation. You can transfer your account at any time to a rollover IRA.

Excess Section 415 Account

Your account balance as of April 30, 2000 will be distributed in a lump sum within 90 days.

Retirement Plan

Should AMD adopt a retirement plan for officers and employees while you remain employed by the company, you will be entitled to receive any lump sum or continuing annuity payments that may have accrued to you through the point of your retirement.

Employee Stock Purchase Plan

If you are enrolled in this plan at the time of your retirement, any accrued but unused salary deductions will be returned to you in cash.

Executive Disability Plan

Should you become disabled (as; defined by the insurance policy) before retirement, your plan benefits will continue while you are so disabled until you have received 60 monthly payments, or, if earlier, until you have attained age 70.

Executive Life Insurance

You may elect to continue your individual policy death benefits at your own

expense. Your election to continue must be made no later than May 28, 2000.

Executive Savings Plan

Your accumulated principal and investment earnings will be distributed to you in a single lump sum by October 31, 2000. If you wish to have your account distributed in annual installments, your election must be filed no later than April 30, 1999 (one year from your retirement date).

Office & Administrative Support

You will be provided an office with the services of an executive assistant through December 31, 2000.

12

Exhibit D

AMD Benefits for
Richard Previte
During Leave of Absence

Continuation of Benefits on Termination of Employment

Effective as of midnight April 30, 2001, your participation in AMD's employee and officer benefits will end. However, certain benefits can or will be extended at that time, as follows:

AMD Health, Dental & Vision Plans

You can elect continued medical, dental and vision coverage for yourself and your wife in accordance with federal "COBRA" regulations, pursuant to paragraph five of the Agreement. You may continue such insurance for up to 18 months beyond April 30, 2001 or until you and your wife are covered by Medicare Part A, if earlier. Coverage under Medicare Parts A and B for yourself and your wife can start as early as February 1, 2000.

Health Care Reimbursement Account

If, at the date of your retirement, you are enrolled in a health care reimbursement account (as you are currently), you will have access to the balance in that account through September 30, 2001 for eligible expense incurred prior to July 1, 2001.

Retirement Savings Plan

Although you will no longer be eligible to defer salary under this plan, you may elect to defer distribution of the account until you are age 70 1/2. You will maintain the right to change your investment options. You can transfer your account at any time to a rollover IRA.

Profit Sharing Program

You will be eligible for a pro rata share of any profit sharing contributions that are approved for U.S. employees for the profit-sharing period ending June 30, 2001. You may elect to defer distribution of your Deferred Profit Sharing Plan account until you are age 70 1/2. You will maintain the right to change your investment allocation. You can transfer your account at any time to a rollover IRA.

Excess Section 415 Account

Your account balance as of April 30, 2001 will be distributed in a lump within 90 days.

Retirement Plan

Should AMD adopt a retirement plan for officers and employees while you remain employed by the company, you will be entitled to receive any lump sum or continuing annuity payments that may have accrued to you through the point of your retirement.

Employee Stock Purchase Plan

If you are enrolled in this plan at the time of your retirement, any accrued but

unused salary deductions will be returned to you in cash.

Disability Insurance

You will be covered by AMD's group executive disability insurance policy while you are an active employee through April 30, 2000 and by the Advanced Micro Devices Disability Plan from May 1, 2000 through April 30, 2001. Should you become disabled (as defined by the insurance policy or AMD Disability Plan, as applicable) during this period, you will receive monthly benefits equal to 66 2/3% of your base monthly salary when combined with Social Security and state disability benefits and other income continuation benefits from AMD. The maximum monthly benefit under the insurance policy and the AMD Disability Plan is \$15,000 and \$ 10,000, respectively. While you are so disabled, monthly benefits will be paid up to:

Maximum Monthly Benefits Duration	If Disabled Under
60 months or to 70th birthday, if earlier	Insurance Policy
24 months if disabled at age 65	AMD Disability Plan
21 months if disabled at age 66	

Executive Life Insurance

You may elect to continue your individual policy death benefits at your own expense. Your election to continue must be made no later than May 28, 2001.

Executive Savings Plan

Your accumulated principal and investment earnings will be distributed to you in a single lump sum by October 31, 2001. If you wish to have your account distributed in annual installments, your election must be filed no later than April 30, 2000 (one year from your retirement date).

Office & Administrative Support

You will be provided an office with the services of an executive assistant through April 30, 2001.

EXHIBIT E

THIS GENERAL RELEASE OF CLAIMS ("Release") is between RICHARD PREVITE ("Executive") and ADVANCED MICRO DEVICES, INC. (the "Company"), a Delaware corporation, in accordance with the Agreement entered into by the parties as of _____ (this "Agreement"). Unless otherwise defined herein, the terms defined in the Agreement shall have the same defined meanings in this Release.

1. Payment of Salary. The parties acknowledge and agree that as of _____

Executive's termination date, all accrued salary, bonuses and unpaid vacation were paid to Executive. In light of the payment by Company of all wages due, or to be come due to Executive, California Labor Code Section 206.5 is not applicable to the parties hereto. Said Section provides in pertinent part:

No employer will require the execution of any release of any claim or right on account of wages due, or to become due, or made as an advance on wages to be earned, unless payment of such wages has been made.

2. Release. Executive and Company, on behalf of themselves and their _____

respective heirs, family members, executors, investors, Executives, officers, directors, agents, attorneys, legal successors, and assigns, hereby fully and forever release each other and their respective heirs, family members, executors, shareholders, from and agree not to sue concerning, any and all claims, actions, obligations, duties, causes of action, whether now known or unknown, suspected or unsuspected, that either of them may possess based upon or arising out of any matter, cause, fact, thing, act, or omission whatsoever occurring or existing at any time to and including the Effective Date (collectively, the "Released Matters"), including without limitation,

(a) any and all claims relating to or arising from Executive's employment relationship with Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of, shares of stock of Company, including, without limitation, any claims of fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; and conversion.

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights

15

Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Executive Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, Older Workers Benefit Protection Act, and the California Fair Employment and Housing Act, and Labor Code section 201, et.seq.;

(e) any and all claims for violation of the federal, or any state, constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any and all claims for attorneys' fees and costs; and

(h) any and all claims either Company or Executive may have against the other for any acts by either occurring at any time, prior to the execution of this Release.

Each of the parties agrees that the foregoing enumeration of claims released is illustrative, and the claims hereby released are in no way limited by the above recitation of specific claim, it being the intent of the parties to fully and completely release all claims whatsoever in any way relating to the Executive's employment with Company and to the termination of such employment. Each of the parties agrees that the release set forth in this section will be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under the Agreement.

(i) Executive represents that Executive has no lawsuits, claims or actions pending in Executive's name, or on behalf of any other person or entity, against Company or any other person or entity referred to herein. Executive also represents that Executive does not intend to bring any claims on Executive's own behalf against Company or any other person or entity referred to herein.

(ii) Executive represents that Executive is not aware of any claim by Executive other than the claims that are released by this Release. Executive acknowledges that Executive has been advised by legal counsel and is familiar with Section 1542 of the Civil Code of the State of California, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Executive expressly waives any right or benefit which Executive has or may have under Section 1542 of the California Civil Code or any similar provision of the statutory or non-statutory law of any other jurisdiction, including Delaware, to the full extent that Executive may lawfully waive those rights and benefits pertaining to the subject matter of this Release. The parties, acknowledge that in the future they may discover claims or facts in addition to or different

16

from those that they now know or believe to exist with respect to the subject

matter of this Release, and that each of Executive and Company intend to fully, finally, and forever settle all of the Released Matters in exchange for the benefits forth in this Release and in the Agreement. This Release will remain in effect as a full and complete release notwithstanding the discovery or existence of any additional claims or facts.

3. Indemnification. This Release shall not apply with respect to any

claims arising under Executive's existing rights to indemnification and defense pursuant to the articles and bylaws of Company for acts as a director and/or officer or to Executive's rights of insurance under any director and officer liability policy in effect covering Company's directors and officers. AMD agrees to maintain any such director and officer liability policy in effect with respect to Executive for services performed by him as an officer to the same extent as other Company officers.

4. Acknowledgment of Waiver of Claims under ADEA. Executive acknowledges

that Executive is waiving and releasing any rights Executive may have under the Age Discrimination Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Executive and Company agree that this waiver and release does not apply to any rights or claims that may arise under ADEA after the Effective Date of this Release, Executive acknowledges that the consideration given for this waiver and release agreement is in addition to anything of value to which Executive was already entitled, Executive further acknowledges that Executive has been advised by this writing that:

(a) Executive should consult with an attorney prior to executing this Release;

(b) Executive has at least twenty-one (21) days within which to consider this Release, although Executive may accept the terms of this Release at any time within those 21 days;

(c) Executive has at least seven (7) days following the execution of this Release by the parties to revoke this, Release; and

(d) This Release will not be effective until the revocation period has expired.

5. Voluntary Execution of Agreement. This Release is executed voluntarily

and without any duress or undue influence on the part or behalf of the parties hereto, with the full intent of releasing all claims. The parties acknowledge that:

(a) they have read this Release;

(b) they have been represented in the preparation, negotiation, and execution of this Release by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) they understand the terms and consequences of this Release and of the releases it contains;

17

(d) they are fully aware of the legal and binding effect of this Release.

EXECUTIVE UNDERSTANDS THAT EXECUTIVE MAY CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AND UNDERSTANDS THAT EXECUTIVE IS GIVING UP AND LEGAL CLAIMS EXECUTIVE HAS AGAINST COMPANY BY SIGNING THIS RELEASE. EXECUTIVE FURTHER ACKNOWLEDGES THAT EXECUTIVE DOES SO KNOWINGLY, WILLINGLY AND VOLUNTARILY IN EXCHANGE FOR THE BENEFITS DESCRIBED IN SECTION 2 OF THE AGREEMENT.

Executive: Advances Micro Devices, Inc.

RICHARD PREVITE

Signature

By:
Title: Senior Vice President,
Human Resources

Date: _____

Date: _____

[Letterhead of AMD]

June 23, 1999

Mr. Gene Conner
[Home address]

Dear Gene:

As you must know, it is with regret over your decision, combined with gratitude for your years of contribution that AMD has accepted your resignation as an executive officer of AMD. This letter will formalize the terms of your separation from the company.

- 1) You will remain an active employee through October 21, 1999.
- 2) Between July 12 and September 7, 1999, you will be on sabbatical.
- 3) Between September 8, 1999 and October 21, 1999 you will be on vacation.
- 4) Beginning October 22, 1999 and continuing through October 21, 2000, you will be on paid leave of absence status. During your leave of absence you will continue to receive your current salary, plus any applicable increase (further discussed in paragraph 7, below). Subject to paragraph 5, below, you also will remain enrolled in your current health and dental plans, and the AMD Profit Sharing Plans. You will not remain enrolled in the executive life insurance plan, but you may participate in the employee life insurance plan. You also may continue to participate in AMD's Employee Stock Purchase Plan, the 401k Plan, the Dependent Care and Health Care Reimbursement Plans (through June 30, 2000), and the Accidental Death and Dismemberment Insurance Plan. You will not accrue vacation during your leave of absence.
- 5) On October 22, 2000 (or on any earlier date that you become employed as a regular employee for another company), your employment with AMD will terminate. At that time you will be informed of the options available to you with respect to the payout of your various retirement income sources at AMD. In the event your termination date is earlier than October 22, 2000 (and you are not terminated for cause), salary payments through October 22, 2000 will be paid in a lump sum on your termination date. All AMD benefits for which you are eligible during your leave of absence will end on your termination date.
- 6) So long as you are on sabbatical, vacation or paid leave of absence, your existing stock options will continue to vest pursuant to the term and conditions of the stock option plans and grant agreements under which they were granted. Following your termination, you will have one year from your termination date to exercise any vested but unexercised stock options.
- 7) In the event AMD adopts a defined benefit or other pension benefit plan prior to your termination, you will be entitled to participate in that plan, pursuant to its terms.

[Logo of AMD]

Mr. Gene Conner
June 23, 1999
Page 2

- 8) You will be eligible for a salary increase in 1999, subject to the following limitations: the amount of increase will be equal to the Consumer Price Index average increase for urban wage earners in San Francisco published by the Bureau of Labor Statistics for calendar year 1998. You will be eligible to receive your increase when other executive officers receive theirs.
- 9) Should there be an Executive Bonus Plan payment for 1999, you will receive a special bonus of \$100,000, payable at the same time that AMD Officers receive their bonus payments.
- 10) Pursuant to the approval which was granted at the April 29, 1999 Annual Meeting of Shareholders, you will be granted 37,500 options, which are to vest on July 10, 2000. The terms of the stock option agreement under which those options are granted provides that once such options have vested, you will have one year from the date of your

termination date to exercise those options.

- 11) You will continue to receive a vehicle expense allowance in the amount of \$2000 per month under the terms and conditions of AMD Car Plan A until your termination.
- 12) All of the company's policies and programs, including policies concerning trading in AMD stock and the protection and ownership of intellectual property, will continue to apply to you, and where applicable will extend beyond termination of employment.

If these terms meet with your approval, please sign and date this letter, below and return it to me. If you have any questions, please feel free to call me.

Sincerely,
/s/ Stan Winvick

Stan Winvick
Senior Vice President,
Human Resources

I agree to the terms of my separation from Advanced Micro Devices, Inc., as set forth in this letter.

/s/ Gene Conner

Gene Conner

Date: June 23, 1999

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-26-1999
<PERIOD-START>	DEC-28-1998
<PERIOD-END>	JUN-27-1999
<CASH>	220,638
<SECURITIES>	430,192
<RECEIVABLES>	333,328
<ALLOWANCES>	(12,573)
<INVENTORY>	203,056
<CURRENT-ASSETS>	1,297,875
<PP&E>	4,733,992
<DEPRECIATION>	(2,538,119)
<TOTAL-ASSETS>	4,246,009
<CURRENT-LIABILITIES>	783,172
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	1,490
<OTHER-SE>	1,960,671
<TOTAL-LIABILITY-AND-EQUITY>	4,246,009
<SALES>	1,226,702
<TOTAL-REVENUES>	1,226,702
<CGS>	908,770
<TOTAL-COSTS>	908,770
<OTHER-EXPENSES>	611,584
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	38,850
<INCOME-PRETAX>	117,577
<INCOME-TAX>	167,350
<INCOME-CONTINUING>	(48,471)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(48,471)
<EPS-BASIC>	(0.33)
<EPS-DILUTED>	(0.33)

</TABLE>