FORM S-3/A

Registration statement for specified transactions by certain issuers [amend]

Filing Date: **1999-09-10**
SEC Accession No. 0001047469-99-035415

FILER

POWER ONE INC
CIK:**1042825**| IRS No.: **770420182** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3/A** | Act: **33** | File No.: **333-84285** | Film No.: **99709849**
SIC: **3679** Electronic components, nec

Mailing Address
740 CALLE PLANO
CAMARILLO CA 93012

Business Address
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8059878741

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 10, 1999

REGISTRATION NO. 333-84285

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

POWER-ONE, INC.

(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C> <C>

DELAWARE	3679	77-0420182
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

</TABLE>

740 CALLE PLANO
CAMARILLO, CALIFORNIA 93012
(805) 987-8741

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

STEVEN J. GOLDMAN
CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT
POWER-ONE, INC.
740 CALLE PLANO
CAMARILLO, CALIFORNIA 93012
(805) 987-8741

(Name and address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

KENDALL R. BISHOP, ESQ.	C. DOUGLAS BUFORD, JR., ESQ.
O'MELVENY & MYERS LLP	WRIGHT, LINDSEY & JENNINGS LLP
1999 AVENUE OF THE STARS, SUITE 700	200 WEST CAPITOL AVENUE, SUITE 2200
LOS ANGELES, CALIFORNIA 90067	LITTLE ROCK, ARKANSAS 72201
(310) 246-6780	(501) 212-1239

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of

1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box, and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
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TITLE OF SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>
Common stock, $0.001 par value.....	7,475,000	$188,977,344	$52,536*

</TABLE>

* Previously paid.

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION DATED SEPTEMBER 10, 1999

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

6,500,000 SHARES

[LOGO]

Common Stock

This is a public offering of 6,500,000 shares of common stock of Power-One, Inc. We are selling 4,000,000 shares of common stock being sold in this offering. We will not receive any proceeds from the sale of the remaining 2,500,000 shares being sold by our stockholders identified in this prospectus.

Our common stock is traded on the Nasdaq National Market under the symbol "PWER." The last reported sales price on the Nasdaq National Market of our common stock on September 9, 1999 was $27 3/8.

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN RISKS THAT PURCHASERS OF OUR COMMON STOCK SHOULD CONSIDER.

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	PER SHARE	TOTAL
<S>	<C>	<C>
Public offering price	$	$
Underwriting discount and commissions	$	$
Proceeds, before expenses, to Power-One	$	$
Proceeds to selling stockholders	$	$

</TABLE>

We have granted the underwriters an option for a period of 30 days to purchase up to 975,000 additional shares of common stock.

The underwriters are severally underwriting the shares being offered. The underwriters expect to deliver the shares on or about , 1999.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OF ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

STEPHENS INC.

BANCBOSTON ROBERTSON STEPHENS

THOMAS WEISEL PARTNERS LLC

The date of this prospectus is , 1999.

<TABLE>
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POWERING GROWTH TECHNOLOGIES

OVER 40% OF POWER-ONE'S SALES ARE IN THE HIGH-GROWTH VOICE AND DATA COMMUNICATIONS MARKET SEGMENTS.

[Picture of Telecommunications Product]

Power-One's leading-edge power conversion products target customers with advanced technologies, such as those that provide the infrastructure for e-commerce.

[Picture of high power-density product used in data communications]

A HIGH POWER-DENSITY PRODUCT USED IN DATA COMMUNICATIONS.

POWERING DIVERSIFIED TECHNOLOGIES

POWER-ONE HAS PROVIDED POWER SOLUTIONS TO A DIVERSIFIED CUSTOMER BASE FOR OVER 20 YEARS.

[Pictures of various users and products]

Over 10,000 customers purchase over two million Power-One products annually. Customers rank among the Fortune 500 of high-technology companies producing industrial, automatic/ semiconductor test, transportation, medical and other electronic equipment.

[Picture of Power-One Products]

POWER-ONE MAKES OVER 2,500 PRODUCTS FROM ONE WATT TO 4,000 WATTS, PROVIDING CUSTOMERS WITH A ONE-STOP-SHOP POWER SUPPLY VENDOR.

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AS USED IN THIS PROSPECTUS, REFERENCES TO "WE," "OUR," "US," "POWER-ONE," AND "THE COMPANY" REFER TO POWER-ONE, INC. AND ITS CONSOLIDATED SUBSIDIARIES AND NOT TO THE UNDERWRITERS OR TO THE SELLING STOCKHOLDERS.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, ESPECIALLY THE INFORMATION DISCUSSED UNDER "RISK FACTORS."

POWER-ONE, INC.

We are a leading designer and manufacturer of more than 2,500 high-quality brand name power supplies. Our power supplies are designed to meet the power needs of various subsystems and components within electronic equipment. Power supplies primarily supply, regulate and distribute electrical power within electronic equipment. AC/DC power supplies convert alternating current to direct current, while DC/DC power supplies modify direct current into other levels of direct current. Power supplies are typically classified as standard, modified standard or custom. While we manufacture and sell all three product classifications, we focus on standard and modified standard products. We believe that as time-to-market is becoming a more important factor for success, electronics companies increasingly prefer standard and modified standard power supplies.

We are a merchant manufacturer. As such, we produce power supplies for use by others, whereas captive manufacturers produce power supplies primarily for their own use. We sell our products both to original equipment manufacturers, or OEMs, and distributors who value quality, reliability, technology and service. We have more than 10,000 customers in the communications, industrial, automatic/semiconductor test equipment, transportation, medical equipment and other electronic equipment industries. Our OEM customers include industry leaders such as Cisco, Nortel, Teradyne, Lucent, Hewlett-Packard, Siemens and Ericsson. We are also a leading provider of power supplies to domestic distributors, including Pioneer Standard Electronics, Sterling, Arrow, Kent Electronics and Future Electronics.

In the last year, we substantially expanded our product offerings, scale and geographic breadth through two significant acquisitions. Our net sales have increased from $75.4 million in 1996 to pro forma net sales of $161.6 million in 1998, a compound annual growth rate of 46.4%. We believe that we are one of the largest power supply companies in the world that specializes in standard and modified standard power supplies. We also believe that our gross profit margins are among the highest in the industry. Our gross profit margin has been approximately 40% during the past three years.

RECENT ACQUISITIONS

In August 1998, we increased our international presence and our portfolio of products by acquiring Melcher Holding AG, or Melcher, for $53 million, including debt assumed. Located in Uster, Switzerland, Melcher primarily designs and manufactures high-reliability DC/DC and AC/DC power supplies which it sells to leading OEMs throughout Europe and North America, including Ericsson, Daimler-Chrysler and Siemens. Melcher has manufacturing operations in three European locations and sales and application engineering offices in six European countries. By acquiring Melcher, we added approximately 750 products to our portfolio and gained better access to the $4 billion European power supply market.

In January 1999, we further broadened our portfolio of DC/DC products by acquiring International Power Devices, Inc., or IPD. We acquired IPD for $32 million, including capitalized lease obligations and other indebtedness of IPD. IPD is a leading supplier of high-density DC/DC power supplies, which it sells primarily in North America. High-density DC/DC power technology is preferred in applications using high-speed/low-voltage logic, including the fast growing voice and data communications industries. IPD sells over 90 models of high-density DC/DC products to leading OEMs, including Cisco, Newbridge Networks and Nortel. Our acquisition of IPD has given us greater access to the $2.9 billion worldwide merchant market for DC/DC power supplies. It has also made us a leader in distributed

power architecture, or DPA, which distributes DC/DC power supplies throughout the electronic infrastructure of the end product. The worldwide market for DC/DC products and, in particular, DPA products is estimated to grow faster during the next five years than the overall power supply market.

BUSINESS STRATEGY

We focus on customers in high-end electronics industries who value quality, reliability, technology and service. Our goal is to be the leading manufacturer of standard and modified standard power supplies. To accomplish our goal, we plan to:

- broaden our standard product line;
- expand relationships with key OEMs;
- strengthen our position as a leader in DC/DC power supplies and, in particular, DPA products;
- pursue acquisitions; and
- maintain strong relationships with distributors.

We were incorporated in Delaware in January 1996 as a successor to a company formed in 1973. Our principal executive offices are located at 740 Calle Plano, Camarillo, California 93012, and our telephone number is (805) 987-8741. You can find our website at www.power-one.com. The information found on our website is not a part of this prospectus.

THE OFFERING

The following information assumes that the underwriters do not exercise the option that we granted to them to purchase additional shares in the offering.

<TABLE>
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Common stock offered by us.....	4,000,000 shares
Common stock offered by selling stockholders.....	2,500,000 shares
Common stock to be outstanding after the offering.....	21,137,851 shares
Use of proceeds.....	To repay debt, to pay earn-out consideration to the former stockholders of IPD and for general corporate purposes, including possible acquisitions.
Nasdaq National Market symbol.....	"PWER"

</TABLE>

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

You should read the following financial information together with the "Selected Consolidated Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Operating Results" included elsewhere in this prospectus.

<TABLE>
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	FISCAL YEARS ENDED DECEMBER 31,(1)				SIX MONTHS ENDED JUNE 30,(1)		
	1996	1997	1998 (2)	PRO FORMA 1998 (3)	1998	1999 (4)	PRO FORMA 1999 (5)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENTS OF OPERATIONS:							
Net sales	$ 75,434	$ 93,068	$ 102,519	$ 161,567	$ 51,046	$ 81,402	$ 83,631
Gross profit	30,129	37,587	39,073	62,925	21,176	33,128	34,463
Income from operations	8,002	14,617	8,102	11,919	8,017	1,098	3,358
Net income (loss)	3,396(6)	8,234	5,730	5,797	6,121	(1,538)	638
Net income (loss) attributable to common stockholders	$ 1,981	$ 6,720	$ 5,730	$ 5,797	$ 6,121	$ (1,538)	$ 638
Basic earnings (loss) per common share	$ 0.20	$ 0.58	$ 0.34	$ 0.34	$ 0.36	$ (0.09)	$ 0.04
Basic weighted average shares outstanding	10,000	11,659	17,073	17,073	17,060	17,099	17,099
Diluted earnings (loss) per common share	$ 0.20	$ 0.56	$ 0.33	$ 0.33	$ 0.35	$ (0.09)	$ 0.04
Diluted weighted average shares outstanding	10,153	11,934	17,325	17,325	17,334	17,099	17,524
SELECTED OPERATING DATA:							
Gross profit margin	39.9%	40.4%	38.1%	38.9%	41.5%	40.7%	41.2%
EBITDA (7)	$ 12,215	$ 18,833	$ 14,439	$ 24,480	$ 10,274	$ 11,382	$ 10,399
EBITDA margin	16.2%	20.2%	14.1%	15.2%	20.1%	14.0%	12.4%
Backlog (8)	$ 17,298	$ 32,232	$ 25,795	$ 30,411	$ 19,494	$ 62,505	$ 62,505
Cash flows from (used in):							
Operating activities	4,249	8,481	21,836		14,772	(2,453)	
Investing activities	(3,457)	(5,332)	(52,954)		(6,687)	(42,207)	
Financing activities	(2,859)	27,185	9,291		--	36,950	

</TABLE>

<TABLE>
<CAPTION>

	JUNE 30, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED (9)
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 2,751	$ 60,936
Working capital	1,483	105,332
Total assets	197,506	255,691
Total debt	60,942	15,278
Total stockholders' equity	101,658	205,507

</TABLE>

(FOOTNOTES ON FOLLOWING PAGE)

(1) Our fiscal year is the 52- or 53-week period ending on the Sunday nearest to December 31, and our quarters are the 13- and 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. For clarity of presentation, we have described year-ends presented as if the year ended on December 31 and quarter-ends presented as if the quarters ended on March 31, June 30, September 30 and December 31. As such, the years ended December 31, 1996 through 1998 represent 52-week years and the six months ended June 30, 1998 and 1999 represent 26-week periods.

(2) On August 31, 1998, we acquired Melcher for a purchase price of $53 million, including $11.2 million of debt assumed. In addition, we incurred transaction costs of approximately $1.6 million. We accounted for the acquisition using the purchase method of accounting. The year ended December 31, 1998 includes a non-recurring expense of $2.3 million, which consists of an inventory fair market value write-up of $2.9 million related to the purchase of Melcher, which increased cost of goods sold expense, and a related income tax benefit of $0.6 million.

(3) This unaudited pro forma financial information combines the consolidated results of operations as if the acquisitions of Melcher and IPD had occurred at the beginning of the period presented. The pro forma year ended December 31, 1998 statement of operations data combines Melcher's fiscal year, which ended on September 30, 1998, with our fiscal year and IPD's fiscal year, each of which ended on December 31, 1998. Pro forma adjustments include only the effects of the events directly attributable to the transactions that are expected to have a continuing impact and that are factually supportable. The pro forma amounts for the fiscal year ended December 31, 1998 exclude non-recurring items totaling $6.7 million, which consist of the following: inventory fair market value write-up of $2.9 million and $0.8 million related to the purchases of Melcher and IPD, respectively, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD; and related income tax benefit of $1.3 million.

(4) On January 29, 1999, we purchased IPD for $32 million, including certain capitalized lease obligations and other indebtedness of IPD. In addition, we incurred approximately $1.2 million of transaction costs. We accounted for the acquisition using the purchase method of accounting. Amounts for the six months ended June 30, 1999 include non-recurring items totaling $4.4 million, which consist of the following: inventory fair market value write-up of $0.8 million related to the purchase of IPD, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD; and related income tax benefit of $0.7 million.

(5) This unaudited pro forma financial information combines the consolidated results of operations as if the acquisition of IPD had occurred at the beginning of the period presented. Pro forma adjustments include only the effects of the events directly attributable to the transaction that are expected to have a continuing impact and that are factually supportable. The pro forma amounts for the six months ended June 30, 1999 exclude non-recurring items totaling $4.4 million, which consist of the following: inventory fair market value write-up of $0.8 million related to the purchase of IPD, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD; and related income tax benefit of $0.7 million. The pro forma amounts include non-recurring items totalling $1.0 million, which consist of the following: $0.4 million of bonuses and $0.8 million of stock compensation paid by IPD in January, 1999; $0.5 million of professional fees; and related income tax benefit of $0.7 million.

(6) On January 29, 1996, we converted from a limited liability company to a C corporation. Had we been a C corporation for the entire 1996 fiscal year, the effect would have been a $0.5 million increase to provision for income taxes from $0.4 million to $0.9 million, resulting in a similar decrease in net income from $3.4 million to $2.9 million. For presentation purposes, U.S. federal and state income taxes have not been provided on earnings of our Puerto Rico subsidiary as we do not intend to remit these earnings.

(7) EBITDA, which we calculate as income from operations before depreciation, amortization and compensation charges for stock option plans, is a supplemental financial measurement used by us in the evaluation of business and by many analysts in our industry. However, EBITDA should only be read in conjunction with all of our financial data summarized above and our financial statements prepared in accordance with generally accepted accounting principles and incorporated herein by reference. EBITDA should not be construed as an alternative either to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of our liquidity.

(8) Consists of purchase orders on-hand having delivery dates scheduled within the next six months.

(9) Adjusted to reflect the sale of the 4,000,000 shares of the common stock

being offered by us pursuant to this prospectus at $27.375 per share, and the application of the estimated net proceeds therefrom. See "Use of Proceeds."

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS AND OTHER INFORMATION IN THIS PROSPECTUS BEFORE PURCHASING SHARES OF OUR COMMON STOCK.

OUR BUSINESS IS CYCLICAL.

In recent years, the power supply industry has experienced dramatic shifts in demand and has become more cyclical. As a result, our quarterly results of operations have fluctuated in the past and may continue to fluctuate in the future. These fluctuations have significantly affected our net sales, which has had a negative effect on our operating results. Any such fluctuations in the future could have a material adverse effect on our operating results.

IF WE FAIL TO MANAGE OUR GROWTH EFFECTIVELY, WE MAY LOSE BUSINESS AND EXPERIENCE REDUCED PROFITABILITY.

We have significantly increased our business within a short period of time through our acquisitions of Melcher and IPD. As a result of these acquisitions, internal growth and the transfer of production to our Mexico and Dominican Republic factories, the number of our employees has grown from 1,726 as of June 27, 1998 to 2,941 as of June 27, 1999. If we are to grow successfully, we must:

- train our new employees;
- effectively manage increases in our production levels and transfers of production;
- attract and retain qualified management and technical personnel;
- improve our operational, administrative and financial systems;
- implement our Oracle Enterprise Resource Planning, or ERP, system in our operations; and
- manage multiple relationships with various customers and suppliers.

We may not be able to accomplish any of these requirements, and our failure to do so would have a material adverse effect on our operating results. In addition, our inability to manage our growth could lead to delayed shipment and cancellation of customer orders.

IMPLEMENTATION OF THE ORACLE ERP SYSTEM HAS CAUSED AND MAY CONTINUE TO CAUSE OPERATIONAL INEFFICIENCIES DURING THE CONVERSION PROCESS.

We are in the process of converting our business software to the new Oracle ERP system. The conversion process is complicated and requires, among other things, that data from our existing computer system be made Oracle-compatible and that our employees be trained for the Oracle ERP system. As a result of switching to Oracle at our California and Mexico plants, we experienced delays in the ordering of materials, inventory-tracking problems and other inefficiencies that delayed and may cause additional delays of shipments of products to customers. Resolution of those problems in some cases required manual data entry and processing, which increased manpower needs and reduced our efficiency. Implementation of Oracle at our other manufacturing locations may encounter similar or other difficulties. Delays in shipping products to customers may lead to customer dissatisfaction and result in cancellations of orders, which could have a material adverse effect on our operating results.

CANCELLATIONS, REDUCTIONS OR DELAYS IN PURCHASES COULD CAUSE OUR QUARTERLY RESULTS TO FLUCTUATE.

We do not obtain long-term purchase orders or commitments from our customers, and customers may cancel, reduce or postpone orders without penalty. Cancellations, reductions or delays in orders could substantially reduce our backlog and adversely affect our net sales, gross profit and operating results, especially if we are unable to replace such orders. Our expense levels are based, in part, on expected future revenues and are relatively fixed once set. Therefore, fluctuations in sales (particularly

if customers cancel, postpone or delay sales or sales fail to meet our expectations) may adversely impact our operating results. Fluctuations in sales and customer needs may also affect our mix of products and volume of orders, which in turn affect our gross margin and operating results. High-volume orders, especially custom orders, if cancelled, may substantially increase the risk of inventory obsolescence, write-offs due to excess manufacturing capacity and collection problems. These factors have caused our quarterly results to fluctuate in the past and may continue to do so in the future, which could have a material adverse effect on our operating results.

WE RELY ON A FEW MAJOR CUSTOMERS FOR A SIGNIFICANT PORTION OF OUR BUSINESS.

A few customers account for a significant portion of our net sales each year. During the first six months of 1999, our top three customers accounted for approximately 20% of our net sales. If we lose one of these customers, or if one of them reduces or cancels a significant order, our net income and operating results could decrease significantly.

FAILURE TO ANTICIPATE TRENDS IN THE ELECTRONIC EQUIPMENT INDUSTRY AND PRICE EROSION MAY ADVERSELY AFFECT OUR BUSINESS.

Because we have many customers in the electronic equipment industry, the factors and economic trends that affect these companies also affect our business. Companies in the electronic equipment industry must continuously develop new products to respond to rapid changes in technology. In addition, because consumer demand for electronic equipment fluctuates frequently and the industry is highly competitive, these companies must continuously develop and produce higher-performance products at lower prices. To respond to the needs of our customers in the electronic equipment industry, we must also continuously develop new and more advanced products at lower prices. Our inability to properly assess developments in the electronic equipment industry or to anticipate the needs of our customers could cause us to lose some or all of these customers and prevent us from obtaining new customers. Moreover, the power supply industry has experienced significant price erosion in order to meet the electronic equipment industry's demand for lower costs. Future downward pressure on prices could have a material adverse effect on our operating results.

WE MAY ENCOUNTER PROBLEMS IN INTEGRATING THE OPERATIONS OF COMPANIES THAT WE ACQUIRE.

To implement our strategy of growing through acquisitions, we need to:

- retain key management members and technical personnel of an acquired company;

- successfully merge corporate cultures and business processes;

- realize sales and cost reduction synergies; and

- possibly operate in areas of the world in which we have little or no prior experience.

In addition, after we have completed an acquisition, our management must be able to assume significantly greater responsibilities, and this in turn may cause them to divert their attention from our existing operations. We acquired Melcher in August of 1998 and IPD in January of 1999. We are in the process of transferring production to our Mexico and Dominican Republic facilities. We expect to begin installing our Oracle ERP system in IPD's and Melcher's operations in the middle of next year. If we are unable to completely integrate Melcher's and IPD's businesses and operations into our business, including the completion of planned transfers of production to our Dominican Republic and Mexico facilities and implementation of our Oracle ERP system at Melcher and IPD, our results of operations and financial condition would be adversely affected.

MUCH OF OUR BUSINESS IS SUBJECT TO RISKS ASSOCIATED WITH OPERATIONS IN FOREIGN COUNTRIES.

Many of our operations are located outside of the U.S. and, consequently, are vulnerable to:

- imposition of tariffs, quotas, taxes and other market barriers;

- restrictions on the export or import of technology;

- political and economic instability and work stoppages;

- difficulties in staffing and managing international operations; and

- fluctuations in the value of the U.S. dollar relative to foreign

currencies.

Historically, we have not hedged against any currency exchange rate risks. The occurrence of any of these factors may adversely affect our operating results.

WE MAY NOT BE ABLE TO GROW BY ACQUIRING OTHER COMPANIES.

We will not be able to acquire other companies if we cannot negotiate acceptable terms or, if necessary, obtain acceptable financing. We may have to incur debt to acquire other companies. If our cash flow and existing working capital are not sufficient to fund our general working capital requirements and debt service needs, we will have to raise additional funds by selling equity, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives to raise additional funds may be available on acceptable terms to us or in amounts sufficient for us to meet our requirements.

OUR SUCCESS DEPENDS ON OUR ABILITY TO RETAIN OUR SENIOR MANAGEMENT AND TO ATTRACT AND RETAIN KEY TECHNICAL PERSONNEL.

If we lose one or more members of our senior management, our business and financial results could be adversely affected. Our capacity to develop and implement new technologies depends on our ability to employ personnel with highly technical skills. Competition for such qualified technical personnel is intense due to the relatively limited number of power supply engineers worldwide. If we cannot attract and retain qualified management or highly technical personnel, our business will be adversely affected.

WE MAY NOT BE ABLE TO COMPETE WITH COMPETITORS WHO ARE SIGNIFICANTLY LARGER AND MAY HAVE SUBSTANTIALLY LOWER MATERIALS COSTS.

The merchant power supply manufacturing industry is characterized by intense competition. We believe that the principal bases of competition in our targeted markets are breadth of product line, quality, reliability, technical knowledge, flexibility, readily available products and a competitive price. In times of an economic downturn, or when dealing with high volume orders, we believe that price becomes a more important competitive factor. Moreover, we believe price will become a more important competitive factor in the future as the power supply industry consolidates, OEMs become larger and more entrants from Asia begin to compete with us. Many of our competitors are larger than us, and they may be able to obtain materials at significantly lower prices. Depending on the location of our plants, we may not be able to procure materials at costs as low as the materials costs of some of our competitors. This may have a material adverse effect on our operating results.

WE WILL BE REQUIRED TO PAY SUBSTANTIAL UNITED STATES INCOME TAX IF WE REPATRIATE EARNINGS FROM OUR PUERTO RICO OPERATIONS.

We do not pay U.S. federal or state income taxes on earnings from our Puerto Rico operations as long as we do not repatriate the earnings. As of June 30, 1999, our Puerto Rico subsidiary had accumulated unremitted earnings of approximately $11.3 million. If we decide to bring these funds into the U.S., we will have to pay U.S. taxes on them at the normal rates. The resulting increase in income tax expense would decrease our net income.

OUR INABILITY TO PROTECT OUR INTELLECTUAL PROPERTY COULD SERIOUSLY DAMAGE OUR BUSINESS.

We rely upon a combination of patents, trademarks and trade secret laws to protect our proprietary rights in certain of our products. Our competitors may, however, misappropriate our technology or independently develop technologies that are as good as or better than ours. Additionally, the laws of some foreign countries do not protect our proprietary rights as much as U.S. laws. We currently have several patents and may apply for additional patents, but the U.S. Patent and Trademark Office may reject some or all of our patent applications. The patents that the U.S. government issues to us may not provide us with a competitive advantage or create a sufficiently broad claim to protect the technology that we develop. Furthermore, our competitors may challenge or circumvent our patents, and some of our patents may be invalidated. If we have to initiate or defend against a patent infringement claim in the future to protect our proprietary rights, the litigation over such claims could be time-consuming and costly to us, adversely affecting our financial condition.

STEPHENS GROUP, INC. MAY BE ABLE TO CONTROL OUR MANAGEMENT, OPERATIONS AND AFFAIRS.

Stephens Group, Inc., and certain of its affiliates have contributed their shares of our common stock to a voting trust, which owns approximately 39.5% of our outstanding common stock (24.7% after this offering). The voting trust must vote the shares "for" or "against" proposals submitted to our stockholders in

the same proportion as votes cast "for" and "against" such shares by all other stockholders. As long as these shares are held in the voting trust, Stephens Group, Inc. cannot control our business. If Stephens Group, Inc., however, decides to terminate the voting trust agreement, which it can do at its sole option, Stephens Group, Inc. could, depending on the number of shares voted on a particular matter, effectively be able to elect our entire Board of Directors, approve any action requiring stockholder approval (except as provided by law) and control our management, operations and affairs. If Stephens Group, Inc. terminates the voting trust, Stephens Inc. would no longer be able to make a market in our common stock.

SYSTEMS FAILURES DUE TO HARDWARE OR SOFTWARE FAILURES OR THE YEAR 2000 PROBLEM COULD ADVERSELY AFFECT OUR BUSINESS.

Many existing computer systems and software programs are coded to accept two digit entries rather than four digits to define the applicable year. These systems may, for example, recognize the year "00" as 1900 instead of 2000. If the problem is not corrected, many systems and computer applications could fail or create erroneous results. Our Oracle ERP system, which is Year 2000 compliant, is partially operational in our California and Mexico facilities. We may experience difficulties completing implementation in California or Mexico or in installing it in our remaining operations. If we do, it could adversely affect our business and our operating results. We may experience unforeseen problems with some of our suppliers and customers whose computer systems are not Year 2000 compliant, and these problems could adversely affect our operations. Melcher has not yet finished assessing its products or computer systems or the effect that problems with its suppliers' systems may have on its operations. At this point, Melcher expects to finish its Year 2000 remediation and testing efforts by the end of the third quarter of 1999, but Melcher may experience delays, which could adversely affect Melcher's results of operations.

OUR BUSINESS IS SUBJECT TO CERTAIN ENVIRONMENTAL RISKS.

We are subject to federal, state, local and foreign environmental laws and regulations that govern the handling, transportation and discharge of materials into the air, water and soil. If environmental laws become more stringent over time, or existing laws are more stringently enforced, we could incur greater compliance costs and be subject to increased risks and penalties for violations. We could be held liable for significant damages for violating environmental laws and could lose certain licenses or permits, which in turn could adversely affect our financial results.

OUR CHARTER CONTAINS PROVISIONS THAT MAY HINDER OR PREVENT A CHANGE IN CONTROL OF OUR COMPANY.

Certain provisions of our Certificate of Incorporation could make it more difficult for a third party to acquire control of us, even if such a change in control would benefit our stockholders. We have a staggered Board of Directors, which means that our stockholders can only elect approximately one-third of the board at each annual meeting of stockholders. Stockholders must inform our corporate secretary before a stockholders' meeting of any business they wish to discuss and any directors they wish to nominate. Our Certificate of Incorporation also requires approval of 75% of our voting stock to amend certain provisions. Finally, our Board of Directors can issue preferred stock without stockholder approval. Your rights could be adversely affected by the rights of holders of preferred stock that we issue in the future. Any one of the provisions discussed above could discourage third parties from taking over control of the Company. Such provisions may also impede a transaction in which you could receive a premium over then current market prices and your ability to approve transactions that you consider in your best interests.

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS.

This prospectus contains statements which, to the extent that they do not recite historical fact, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. The words "believe," "expect," "estimate," "may," "will," "could," "plan" or "continue" and similar expressions are intended to identify forward-looking statements. Such forward-looking information involves important risks and uncertainties that could materially alter results in the future from those expressed in any forward-looking statements made by, or on behalf of, us. These risks and uncertainties include, but are not limited to, our ability to:

- manage our growth;

- maintain existing and form new relationships with customers;

- successfully integrate the businesses of companies that we acquire, including Melcher and IPD; and

- complete implementation of our Oracle ERP system.

Other risks and uncertainties include uncertainties relating to general domestic and international economic conditions including interest rate and currency exchange rate fluctuations, electronics industry market conditions and growth rates, acquisitions, the cyclical nature of our business, government and regulatory policies, technological developments and changes in the competitive environment in which we operate. We caution you that such forward-looking statements are only predictions and that actual events or results may differ materially. In evaluating such statements, you should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements, including the factors that we discuss in this section.

USE OF PROCEEDS

We estimate that our net proceeds (after we pay the underwriters and our expenses) from the sale of the 4,000,000 shares that we are selling will be $103.8 million ($129.3 million if the underwriters exercise their option to acquire additional shares). We expect to use the net proceeds from sales of our common stock to repay all of the $45.5 million of indebtedness outstanding under our credit agreement with Bank of America, N.A. and approximately $0.2 million of other debt. At June 30, 1999, our interest rate on the debt that we are repaying was 7.26% per annum. We incurred approximately $28.3 million of this debt to acquire IPD, $1.2 million to pay transaction costs, $4.3 million to acquire IPD's facility and the remainder for working capital purposes. In addition, we may use up to $13.0 million of the net proceeds to pay earn-out consideration to the former stockholders of IPD if IPD achieves the performance objectives set forth in the IPD acquisition agreement. We expect to use the remaining net proceeds for general corporate purposes, including acquisitions, additions to working capital and capital expenditures. We do not have any agreements or understandings with respect to an acquisition. We may invest the net proceeds not required immediately in short-term marketable securities.

We will not receive any of the proceeds from sales of common stock by our selling stockholders.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our capital stock since we became a public company in 1997. We currently intend to retain future earnings, if any, to operate and expand our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, our credit agreement prohibits us from paying cash dividends without obtaining prior approval from our lender.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999 and on a pro forma as adjusted basis, giving effect to our sale of the common stock in this offering at an assumed offering price of $27.375 per share and the application of the net proceeds as described under "Use of Proceeds."

<TABLE>
<CAPTION>

	JUNE 30, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)	
<S>	<C>	<C>
Cash and cash equivalents	$ 2,751	$ 60,936
Debt:		
Notes payable to banks	$ 49,917	$ 4,253(1)
Current portion of long-term debt	3,376	3,376(1)
Long-term debt, less current portion	5,466	5,466(1)
Capitalized leases	2,183	2,183
Total debt	60,942	15,278

Stockholders' equity:		
Common stock, $.001 par value per share, 60,000,000 shares authorized; 17,103,257 shares issued and 21,103,257 shares issued as adjusted (2)	17	21
Additional capital	92,409	196,254
Accumulated other comprehensive income (loss)	(2,930)	(2,930)
Retained earnings	12,162	12,162
Total stockholders' equity	101,658	205,507
Total capitalization	$ 162,600	$ 220,785

</TABLE>

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(1) All of our remaining debt will have an average interest rate of 4.1% per annum.

(2) Excludes 1,762,465 shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of $7.02 per share and 1,656,180 additional shares reserved for issuance under our Amended and Restated 1996 Stock Incentive Plan and 2,988,000 additional shares reserved for issuance under our Employee Stock Purchase Plan.

MARKET PRICES OF COMMON STOCK

Since the initial public offering of our common stock at $14.00 per share, effective September 30, 1997, our common stock has been listed on the Nasdaq National Market under the symbol "PWER." At August 31, 1999, we had 105 record holders of our common stock. The last reported sales price of our common stock is shown on the cover page of this prospectus. The following table sets forth the high and low sales price per share as reported on the Nasdaq National Market for the periods indicated.

<TABLE>
<CAPTION>

	PRICE RANGE	
	HIGH	LOW
<S>	<C>	<C>
1997		
Fourth Quarter	$19 5/8	$13 7/8
1998		
First Quarter	$16 3/4	$13
Second Quarter	17	7 3/4
Third Quarter	10	6 7/16
Fourth Quarter	7 1/2	5 1/2
1999		
First Quarter	$12 1/4	$ 6 1/4
Second Quarter	19 1/2	6 1/2
Third Quarter (through September 9, 1999)	34	19 1/4

</TABLE>

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

In the table below, we provide you with selected consolidated historical financial and operating data. We have prepared this information using financial statements for the fiscal years ended December 31, 1996, 1997 and 1998 and the six-month periods ended June 30, 1998 and 1999. The financial statements for 1996, 1997 and 1998 have been audited by Deloitte & Touche LLP, independent auditors. The financial statements for the six-month periods ended June 30, 1998 and 1999 have not been audited. We have prepared this unaudited information on substantially the same basis as the audited financial statements and included all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial position and results of operations for the period. When you read this selected historical financial and operating data, it is important that you read along with it the section

titled "Management's Discussion and Analysis of Financial Condition and Operating Results" included elsewhere in this prospectus and the historical financial statements and related notes incorporated by reference into this prospectus. Historical results are not necessarily indicative of future results.

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED DECEMBER 31, (1)				SIX MONTHS ENDED JUNE 30, (1)		
	1996	1997	1998 (2)	PRO FORMA 1998 (3)	1998	1999 (4)	PRO FORMA 1999 (5)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENTS OF OPERATIONS:							
Net sales	$ 75,434	$ 93,068	$ 102,519	$ 161,567	$ 51,046	$ 81,402	$ 83,631
Cost of goods sold	45,305	55,481	63,446	98,642	29,870	48,274	49,168
Gross profit	30,129	37,587	39,073	62,925	21,176	33,128	34,463
Selling expense	7,537	8,199	11,771	17,877	4,994	10,244	10,487
General and administrative expense	6,486	6,778	8,311	12,643	3,567	7,083	9,538
Engineering expense	4,215	3,937	6,257	12,117	2,399	6,210	6,679
Quality assurance expense	1,886	2,027	2,007	2,688	1,185	1,633	1,687
Amortization of intangibles	2,003	2,029	2,625	5,681	1,014	3,560	2,714
In-process research and development	--	--	--	--	--	3,300	--
Total expense	22,127	22,970	30,971	51,006	13,159	32,030	31,105
Income from operations	8,002	14,617	8,102	11,919	8,017	1,098	3,358
Interest income	28	358	1,387	148	915	37	37
Interest expense	(4,222)	(3,181)	(806)	(4,275)	(185)	(1,710)	(1,909)
Other income (expense)	(16)	(18)	(627)	64	155	276	(246)
Income (loss) before income taxes	3,792	11,776	8,056	7,856	8,902	(299)	1,240
Income taxes	396(6)	3,542	2,326	2,059	2,781	1,239	602
Net income (loss)	3,396(6)	8,234	5,730	5,797	6,121	(1,538)	638
Less: preferred stock accretion and dividends	1,415	1,514	--	--	--	--	--
Net income (loss) attributable to common stockholders	$ 1,981	$ 6,720	$ 5,730	$ 5,797	$ 6,121	$ (1,538)	$ 638
Basic earnings (loss) per common share	$ 0.20	$ 0.58	$ 0.34	$ 0.34	$ 0.36	$ (0.09)	$ 0.04
Basic weighted average shares outstanding	10,000	11,659	17,073	17,073	17,060	17,099	17,099
Diluted earnings (loss) per common share	$ 0.20	$ 0.56	$ 0.33	$ 0.33	$ 0.35	$ (0.09)	$ 0.04
Diluted weighted average shares outstanding	10,153	11,934	17,325	17,325	17,334	17,099	17,524
SELECTED OPERATING DATA:							
Gross profit margin	39.9%	40.4%	38.1%	38.9%	41.5%	40.7%	41.2%
EBITDA (7)	$ 12,215	$ 18,833	$ 14,439	$ 24,480	$ 10,274	$ 11,382	$ 10,399
EBITDA margin	16.2%	20.2%	14.1%	15.2%	20.1%	14.0%	12.4%
Depreciation & amortization	$ 4,213	$ 4,216	$ 6,337	$ 12,561	$ 2,257	$ 6,984	$ 6,260
Capital expenditures	2,903	5,185	11,569	13,514	6,791	12,301	12,346
Backlog (8)	17,298	32,232	25,795	30,411	19,494	62,505	62,505
Cash flows from (used in):							
Operating activities	4,249	8,481	21,836		14,772	(2,453)	
Investing activities	(3,457)	(5,332)	(52,954)		(6,687)	(42,207)	
Financing activities	(2,859)	27,185	9,291		--	36,950	

</TABLE>

<TABLE>
<CAPTION>

	JUNE 30, 1999

	ACTUAL	PRO FORMA AS ADJUSTED (9)
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 2,751	$ 60,936
Working capital	1,483	105,332
Total assets	197,506	255,691
Total debt	60,942	15,278
Total stockholders' equity	101,658	205,507

</TABLE>

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(1) Our fiscal year is the 52- or 53-week period ending on the Sunday nearest to December 31, and our quarters are the 13- and 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. For clarity of presentation, we have described year-ends presented as if the year ended on December 31 and quarter-ends presented as if the quarters ended on March 31, June 30, September 30 and December 31. As such, the years ended December 31, 1996 through 1998 represent 52-week years and the six months ended June 30, 1998 and 1999 represent 26-week periods.

(2) On August 31, 1998, we acquired Melcher for a purchase price of $53 million, including $11.2 million of debt assumed. In addition, we incurred transaction costs of approximately $1.6 million. We accounted for the acquisition using the purchase method of accounting. The year ended December 31, 1998 includes a non-recurring expense of $2.3 million, which consists of an inventory fair market value write-up of $2.9 million related to the purchase of Melcher, which increased cost of goods sold expense, and a related income tax benefit of $0.6 million.

(3) This unaudited pro forma financial information combines the consolidated results of operations as if the acquisitions of Melcher and IPD had occurred at the beginning of the period presented. The pro forma year ended December 31, 1998 statement of operations data combines Melcher's fiscal year, which ended on September 30, 1998, with our fiscal year and IPD's fiscal year, each of which ended on December 31, 1998. Pro forma adjustments include only the effects of the events directly attributable to the transactions that are expected to have a continuing impact and that are factually supportable. The pro forma amounts for the fiscal year ended December 31, 1998 exclude non-recurring items totaling $6.7 million, which consist of the following: inventory fair market value write-up of $2.9 million and $0.8 million related to the purchases of Melcher and IPD, respectively, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD; and related income tax benefit of $1.3 million.

(4) On January 29, 1999, we purchased IPD for $32 million, including certain capitalized lease obligations and other indebtedness of IPD. In addition, we incurred approximately $1.2 million of transaction costs. We accounted for the acquisition using the purchase method of accounting. Amounts for the six months ended June 30, 1999 include non-recurring items totaling $4.4 million, which consist of the following: inventory fair market value write-up of $0.8 million related to the purchase of IPD, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD; and related income tax benefit of $0.7 million.

(5) This unaudited pro forma financial information combines the consolidated results of operations as if the acquisition of IPD had occurred at the beginning of the period presented. Pro forma adjustments include only the effects of the events directly attributable to the transaction that are expected to have a continuing impact and that are factually supportable. The pro forma amounts for the six months ended June 30, 1999 exclude non-recurring items totaling $4.4 million, which consist of the following: inventory fair market value write-up of $0.8 million related to the purchase of IPD, which increased cost of goods sold expense; in-process research and development charge of $3.3 million and write-off of $1.0 million technology and license agreement, both of which related to the purchase of IPD and related income tax benefit of $0.7 million. The pro forma amounts include non-recurring items totalling $1.0 million, which consist of the following: $0.4 million of bonuses; $0.8 million of stock compensation paid by IPD in January, 1999; $0.5 million of professional fees; and related income tax benefit of $0.7 million.

(6) On January 29, 1996, we converted from a limited liability company to a C corporation. Had we been a C corporation for the entire 1996 fiscal year, the effect would have been a $0.5 million increase to provision for income

taxes from $0.4 million to $0.9 million, resulting in a similar decrease in net income from $3.4 million to $2.9 million. For presentation purposes, U.S. federal and state income taxes have not been provided on earnings of our Puerto Rico subsidiary as we do not intend to remit these earnings.

(7) EBITDA, which we calculate as income from operations before depreciation, amortization and compensation charges for stock option plans, is a supplemental financial measurement used by us in the evaluation of business and by many analysts in our industry. However, EBITDA should only be read in conjunction with all of our financial data summarized above and our financial statements prepared in accordance with generally accepted accounting principles and incorporated herein by reference. EBITDA should not be construed as an alternative either to income from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of our liquidity.

(8) Consists of purchase orders on-hand having delivery dates scheduled within the next six months.

(9) Adjusted to reflect the sale of the 4,000,000 shares of the common stock being offered by us pursuant to this prospectus at $27.375 per share, and the application of the estimated net proceeds therefrom. See "Use of Proceeds."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

YOU SHOULD READ THE FOLLOWING DISCUSSION IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE RELATED NOTES AND THE OTHER FINANCIAL INFORMATION INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. IN ADDITION TO HISTORICAL INFORMATION, THE FOLLOWING DISCUSSION AND OTHER PARTS OF THIS PROSPECTUS CONTAIN FORWARD-LOOKING INFORMATION THAT INVOLVES RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED BY FORWARD-LOOKING INFORMATION DUE TO FACTORS DISCUSSED UNDER "RISK FACTORS," "BUSINESS" AND ELSEWHERE IN THIS PROSPECTUS.

GENERAL

We are a leading designer and manufacturer of more than 2,500 high-quality brand name power supplies. We sell our products both to OEMs and distributors who value quality, reliability, technology and service. We have more than 10,000 customers in the communications, industrial, automatic/semiconductor test equipment, transportation, medical equipment and other electronic equipment industries.

We were founded in 1973 as a manufacturer of AC/DC power supplies and until 1981 operated solely from our Southern California facility. During the 1980s, we established additional operations in Puerto Rico and Mexico to take advantage of certain labor, manufacturing and, in Puerto Rico, tax efficiencies. Between 1994 and 1996, we moved most of our Puerto Rico manufacturing operations to the Dominican Republic to capitalize on certain labor benefits. In September 1995, Stephens Group, Inc., an affiliate of Stephens Inc., and our management purchased Power-One from its previous owners and formulated a more aggressive growth strategy, which included a plan to grow through acquisitions.

In August 1998, we increased our international presence and our product offerings by acquiring Melcher for $53 million, including debt assumed. In January 1999, we further broadened our DC/DC product offerings by acquiring IPD for $32 million, including certain capitalized lease obligations and other indebtedness of IPD.

All references herein to Power-One and to operating data for the year ended December 31, 1998, include four months of Melcher's operations. For the six months ended June 30, 1999, financial results are consolidated to include both Melcher and, for five months, IPD.

The following table sets forth, for the periods indicated, certain Consolidated Statements of Operations data as a percentage of net sales for the periods presented:

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,

	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	60.1	59.6	61.9	58.5	59.3
Gross profit	39.9	40.4	38.1	41.5	40.7
Selling expense	10.0	8.8	11.5	9.8	12.6
General and administrative expense	8.6	7.3	8.1	7.0	8.7
Engineering expense	5.6	4.2	6.1	4.7	7.6
Quality assurance expense	2.5	2.2	1.9	2.3	2.0
Amortization of intangibles	2.6	2.2	2.6	2.0	4.4
In-process research and development	0.0	0.0	0.0	0.0	4.1
Income from operations	10.6	15.7	7.9	15.7	1.3
Interest expense	(5.6)	(3.4)	(0.8)	(0.4)	(2.1)
Other, net	0.0	0.4	0.8	2.1	0.4
Income (loss) before income taxes	5.0	12.7	7.9	17.4	(0.4)
Income taxes	0.5	3.8	2.3	5.4	1.5
Net income (loss)	4.5	8.8	5.6	12.0	(1.9)
Preferred stock accretion and dividends	1.9	1.6	0.0	0.0	0.0
Net income (loss) to common shareholders	2.6%	7.2%	5.6%	12.0%	(1.9%)

</TABLE>

SIX MONTHS ENDED JUNE 30, 1999 AND JUNE 30, 1998.

NET SALES. Our net sales increased $30.4 million, or 59.5%, to $81.4 million for the six months ended June 30, 1999 from $51.0 million for the same period last year. Included in net sales for the first half of 1999 are $22.1 million contributed by Melcher and $18.4 million contributed by IPD since the date of acquisition. The principal contributors to the $30.4 million increase in net sales were DC/DC power supplies, which contributed $35.7 million, low-range power supplies, which contributed $5.9 million, and custom power supplies, which contributed $2.8 million. These increases were offset by declines in our high-range power supply line of $9.8 million, linear power supplies of $3.4 million and all other product lines of $0.8 million, net. Excluding Melcher and IPD, our net sales decreased $10.2 million, or 20.0%, to $40.8 million in the first half of 1999 from $51.0 million for the comparable period in 1998. This decrease was primarily due to general weak demand for our high-range and linear power supplies in the first four months of 1999.

Sales to OEMs in the first six months of 1999 were $60.7 million, or 74.5% of net sales, up from $29.2 million, or 57.1% of net sales, over the comparable period in 1998. Sales to Cisco, one of our primary OEM customers, represented 10.9% of net sales. Cisco was the only customer that exceeded 10% of net sales in the first six months of 1999. Sales in the first six months of 1999 through distributors were $20.7 million, or 25.5% of net sales, down $1.2 million from $21.9 million, or 42.9% of net sales, in the same period last year. The lower percentage of net sales through distributors in the first six months of 1999 is primarily due to the change in the mix of our customer base, since most of Melcher's and IPD's customers are OEMs.

Our recent acquisition of IPD has significantly broadened our customer base by increasing sales to key OEMs and adding new OEMs in the communications market.

Sales by markets for the six months ended June 30, 1998 and June 30, 1999 were:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1998	1999
<S>	<C>	<C>
Communications	13%	42%
Industrial	23%	19%
Transportation	0%	8%
Automatic/Semiconductor test equipment	27%	8%
Medical equipment	15%	8%
Computer, Retail and Other	22%	15%

Total	100%	100%

</TABLE>

The changes in our percentage distribution of sales for automatic/semiconductor test equipment, communications, and transportation markets are primarily due to the downturn in the automatic/semiconductor test equipment market and a larger concentration of sales in the communications and transportation markets by IPD and Melcher, respectively.

During the first six months of 1999, demand for our products increased significantly. Our combined backlog on June 30, 1999 was $62.5 million, an increase of 142.3% compared to backlog of $25.8 million on December 31, 1998. Pro forma backlog, which assumes IPD's backlog was in place at December 31, 1998, increased 105.5% at the end of June 1999 as compared to year-end 1998. For comparison, our backlog on June 30, 1998 was $19.5 million. For the quarter ended June 30, 1999 we achieved record bookings of $69.3 million, with much of this growth coming from strong demand in the communications market, as well as increased demand for our high-power product line, which are typically sold to the automatic/semiconductor test equipment market.

GROSS PROFIT. Gross profit increased $12.0 million, or 56.4%, to $33.1 million for the six months ended June 30, 1999 from $21.2 million for the six months ended June 30, 1998. As a percent of net sales, our gross profit margin decreased to 40.7% for the first half of 1999 from 41.5% for the same period in 1998. The decline in gross profit margin primarily resulted from the inventory write-up related purchase accounting adjustments due to the IPD acquisition. Excluding the non-recurring IPD purchase related adjustments, gross profit margin would have been 41.6% for the first six months of 1999.

SELLING EXPENSE. Selling expense increased $5.2 million, or 105.1%, to $10.2 million for the six months ended June 30, 1999 from $5.0 million for the comparable period in 1998. As a percent of net sales, selling expense increased to 12.6% for the first half of 1999 from 9.8% for the same period last year. The increase of $5.2 million in the first half of 1999 was primarily due to Melcher's and IPD's selling expense of $3.9 million and $1.4 million, respectively. Excluding Melcher and IPD, Power-One's core selling expense remained unchanged at $5.0 million in the first half of 1999 as compared to the prior year. The increase in selling expense as a percentage of net sales is primarily due to Melcher, which has higher selling expenses than Power-One and IPD as a percentage of net sales.

GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense increased $3.5 million, or 98.6%, to $7.1 million for the six months ended June 30, 1999 from $3.6 million for the six months ended June 30, 1998. As a percent of net sales, general and administrative expense increased to 8.7% for the first half of 1999 from 7.0% for the comparable period in 1998. The increase of $3.5 million was primarily attributable to Melcher's and IPD's general and administrative expenses of $1.3 million and $1.0 million, respectively, as well as an increase of $1.2 million in our core general and administrative expense. The increase in our core general and administrative expense was primarily due to higher

employee costs related to an increase in employee performance bonuses, higher professional fees, and increased depreciation expense primarily related to the Oracle ERP project.

ENGINEERING EXPENSE. Engineering expense increased $3.8 million, or 158.9%, to $6.2 million for the six months ended June 30, 1999 from $2.4 million for the six months ended June 30, 1998. As a percent of net sales, engineering expense increased to 7.6% for the first half of 1999 from 4.7% for the comparable period in 1998. The increase of $3.8 million was primarily due to Melcher's and IPD's engineering expense of $2.4 million and $1.3 million, respectively.

QUALITY ASSURANCE EXPENSE. Quality assurance expense increased $448,000, or 37.8%, to $1.6 million for the six months ended June 30, 1999 from $1.2 million for the six months ended June 30, 1998. As a percent of net sales, quality assurance expense decreased to 2.0% for the first half of 1999 from 2.3% for the comparable period in 1998. The increase of $448,000 was primarily due to higher quality assurance expense related to Melcher and IPD.

AMORTIZATION EXPENSE. Amortization of intangibles increased $2.5 million, or 251.1%, to $3.6 million for the six months ended June 30, 1999 from $1.0 million for the same period in 1998. The majority of the increase is attributable to a $1.0 million charge taken to write-off the unamortized balance of the intangible asset value of a technology and license agreement related to substantially similar product technology acquired as a result of the IPD acquisition. The balance of the increase is due to five months of amortization of the intangibles initially recorded upon the acquisition of IPD on January 29,

1999 totaling approximately $768,000, as well as $836,000 of amortization of intangibles related to the Melcher acquisition.

IN-PROCESS RESEARCH & DEVELOPMENT. In connection with the IPD acquisition, we recorded a one time charge of $3.3 million for purchased in-process technology that had not reached technological feasibility.

INCOME FROM OPERATIONS. As a result of the items discussed above, income from operations decreased $6.9 million, or 86.3%, to $1.1 million for the six months ended June 30, 1999 from $8.0 million for the comparable period in 1998. The lower income from operations for the first half of 1999 resulted from several significant non-recurring items totaling approximately $5.1 million, including an $0.8 million inventory write-up related purchase accounting adjustment for IPD, $1.0 million write-off of a previously acquired technology license, and $3.3 million charge for in-process research and development. Excluding these items, income from operations would have been $6.2 million.

INTEREST INCOME. Interest income decreased $878,000, or 96.0%, to $37,000 for the six months ended June 30, 1999 from $915,000 for the six months ended June 30, 1998. The decrease is primarily due to the decrease in short-term, interest-bearing financial instruments due to cash used for the Melcher acquisition in the third quarter of 1998.

INTEREST EXPENSE. Interest expense increased $1.5 million, or 824.3%, to $1.7 million for the six months ended June 30, 1999 from $185,000 for the comparable period in 1998. The increase is primarily due to advances under our credit facilities to finance the IPD acquisition, as well as additional investments in facilities and capital equipment to increase our capacity to support the rapid growth in our business.

OTHER INCOME (EXPENSE), NET. Other income, net, increased $121,000, to $276,000 for the six months ended June 30, 1999 from $155,000 for the six months ended June 30, 1998. Other income increased primarily due to gains on sales of fixed assets and foreign currency transactions.

INCOME TAXES. The provision for income taxes decreased to $1.2 million for the six months ended June 30, 1999 from $2.8 million income tax for the comparable period in 1998. The recorded loss for the first half of 1999 did not generate a significant income tax benefit primarily due to the $3.3 million charge for in-process research and development and $768,000 amortization of goodwill related to the IPD acquisition, both of which were nondeductible for tax purposes.

YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997.

NET SALES. Net sales increased $9.5 million, or 10.2%, to $102.5 million for the year ended December 31, 1998 from $93.1 million for the year ended December 31, 1997. The increase in net sales resulted primarily from a $18.8 million contribution from Melcher since the date of acquisition, as well as strong growth in unit shipments of standard and modified standard power supplies, particularly in high-range power configurations, during the first half of 1998. Including Melcher's results, the principal contributors to the $9.5 million increase in net sales were DC/DC power products, which contributed $14.1 million in net sales, and low-range power products, which contributed $4.4 million. These increases were offset by declines in linear and custom power products of $3.4 million and $3.9 million, respectively, and decreases in all other product lines of $1.7 million, net. Excluding Melcher, our net sales decreased $9.4 million, or 10.1%, to $83.7 million in 1998 from $93.1 million in 1997. This was primarily due to the general slowdown in demand for products within the electronics industry, as well as domestic inventory reductions at OEMs, including some of our customers, in the second half of 1998.

Sales to OEMs for the year ended December 31, 1998 were $62.2 million, or 61% of net sales, an increase of $10.2 million or 19.7% over the comparable period in 1997, when sales to OEMs represented 56% of net sales. Sales through distributors for the year ended December 31, 1998 were $40.3 million, or 39% of net sales, a decrease of $0.8 million or 1.9% compared to the same period in 1997, when such sales represented 44% of net sales. As a result of the Melcher acquisition, our OEM sales to the communications and transportation markets increased $7.1 million and $3.6 million, respectively.

Our total backlog on December 31, 1998 was $25.8 million, which is comprised of Power-One's backlog of $13.4 million and Melcher's backlog of $12.4 million. Power-One's backlog stood at $32.2 million on December 31, 1997.

Beginning in the three month period ended June 30, 1998, demand for products slowed significantly within the electronics industry. This was the result of a softening trend in capital equipment markets, which in turn has been negatively influenced by weak demand due to the business recessions in various Asian economies, as well as an overall slowing in global economic activities. Demand

for our products was further weakened by domestic inventory reduction initiatives at OEMs and distributors, including some of our customers. The contribution of Melcher, which sells primarily into the European market, more than offset the decline in our North American business. We expect that the Melcher acquisition will continue to have a positive impact on our overall business growth, particularly in data communications and telecommunications.

To counter the impact of the soft business climate in 1998, management pursued action steps to position us for increased growth in 1999. Some of these initiatives included actively pursuing new business synergies with Melcher in the areas of sales and cost reductions; aggressively pursuing acquisitions which culminated in the acquisition of IPD on January 29, 1999; and providing for additional investment in research and development. Additionally, we made significant progress to further upgrade our core business systems with the implementation of a new Oracle ERP system. Although this fully integrated Oracle ERP system is Year 2000 certified, the key reasons for implementing the new system are to further enhance our technical infrastructure by providing to management the tools available in a new generation of systems and software to speed information retrieval; to position us for business growth; to facilitate business integration of acquired companies; and to provide a clearer audit trail for the source of information.

GROSS PROFIT. Gross profit increased $1.5 million, or 4.0%, to $39.1 million for the year ended
December 31, 1998 from $37.6 million for the year ended December 31, 1997, which is primarily due to the inclusion of Melcher's gross profit since the date of the acquisition. As a percent of net sales, gross profit decreased to 38.1% for the year ended December 31, 1998 from 40.4% for the same period in 1997. The decline in gross profit margin primarily resulted from the inventory write-up related purchase accounting adjustments related to the Melcher acquisition. Excluding the Melcher related inventory fair market value purchase write-up adjustments, gross profit margin would have been 40.9% in 1998 and 40.4% in 1997.

SELLING EXPENSE. Selling expense increased $3.6 million, or 43.6%, to $11.8 million for the year ended December 31, 1998 from $8.2 million for the year ended December 31, 1997. The increase of $3.6 million is primarily due to the inclusion of Melcher's selling expense of $3.6 million since the date of acquisition. Excluding Melcher, selling expense was unchanged at $8.2 million compared to the prior year. As a percent of net sales, selling expense increased to 11.5% in 1998 from 8.8% for the year ended December 31, 1997, which is primarily due to our decision to maintain its sales resources intact during the business downturn in the latter portion of 1998, and due to the addition of Melcher which had proportionately higher selling expense on a stand-alone basis.

GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense increased $1.5 million, or 22.6%, to $8.3 million for the year ended December 31, 1998 from $6.8 million for the year ended December 31, 1997. As a percent of net sales, general and administrative expense increased to 8.1% in 1998 from 7.3% in 1997. The increase of $1.5 million is primarily due to higher public company expenses of $268,000, higher travel costs primarily related to pursuing other acquisitions of $149,000, higher depreciation expense of $244,000, higher general office expenses of $291,000, other expenses aggregating $385,000 and the inclusion of Melcher's general and administrative expenses of $748,000 since the date of acquisition. These increases are partially offset by decreases in salaries of $270,000 and bad debt expense of $315,000.

ENGINEERING EXPENSE. Engineering expense increased $2.3 million, or 58.9%, to $6.3 million for the year ended December 31, 1998 from $3.9 million for the year ended December 31, 1997. As a percent of net sales, engineering expense increased to 6.1% for the year ended December 31, 1998 from 4.2% for the year ended December 31, 1997. The increase is primarily due to higher employee costs of $484,000, increased product development expense of $109,000, and the inclusion of Melcher's engineering expenses of $1.7 million since the date of acquisition.

QUALITY ASSURANCE EXPENSE. Quality assurance expense remained flat at $2.0 million for both 1998 and 1997. As a percent of net sales, quality assurance expense decreased to 1.9% for the year ended December 31, 1998 from 2.2% from the year ended December 31, 1997. Excluding Melcher, quality assurance expense decreased $153,000, or 7.5%, to $1.9 million in 1998 compared to $2.0 million in 1997. This decrease is primarily attributable to a decrease in salary expense.

AMORTIZATION EXPENSE. The amortization of intangibles increased $596,000, or 29.4%, to $2.6 million for the year ended December 31, 1998 from $2.0 million for the year ended December 31, 1997. As a percent of net sales, amortization of intangibles increased to 2.6% for the year ended December 31, 1998 from 2.2% for the year ended December 31, 1997. The increase is directly attributable to four months of amortization of intangibles initially recorded upon the acquisition of Melcher on August 31, 1998.

INCOME FROM OPERATIONS. As a result of the above factors, income from operations decreased $6.5 million, or 44.6%, to $8.1 million for the year ended December 31, 1998 from $14.6 million for the year ended December 31, 1997. As a percent of sales, income from operations decreased to 7.9% for the year ended December 31, 1998 from 15.7% for the year ended December 31, 1997. Excluding the charge to cost of sales of $2.9 million for the Melcher-related inventory fair market value purchase

write-up adjustments, income from operations would have been $11.0 million in 1998 compared to $14.6 million in 1997.

INTEREST INCOME. Interest income increased $1.0 million, or 287.4%, to $1.4 million for the year ended December 31, 1998 from $0.4 million for the year ended December 31, 1997. This increase is primarily due to the interest income derived from investment of a portion of the net proceeds from our initial public offering, or IPO, in short-term, interest-bearing investment-grade financial instruments.

INTEREST EXPENSE. Interest expense decreased $2.4 million, or 74.7%, to $0.8 million for the year ended December 31, 1998 from $3.2 million for the year ended December 31, 1997. This decrease is primarily the result of the repayment of all bank borrowings under our existing bank credit facility using the net proceeds from our IPO completed in the fourth quarter of 1997.

OTHER INCOME (EXPENSE), NET. Other expense increased $609,000, to $627,000 for the year ended December 31, 1998, from $18,000 for the year ended December 31, 1997, and is primarily due to foreign currency translation losses of $455,000 related to Melcher since the date of acquisition and other expenses aggregating $154,000.

INCOME TAXES. The provision for income taxes decreased $1.2 million, to $2.3 million for the year ended December 31, 1998, from $3.5 million for the year ended December 31, 1997. Income taxes as a percent of net sales decreased to 2.3% in 1998 from 3.8% in 1997. The decrease is due to a $721,000 reduction in tax provision related to the $7.2 million write-up of assets to fair value as a result of purchase accounting adjustments made for the Melcher acquisition. The remainder is attributable to a $122,000 tax credit related to a pre-tax loss incurred by our U.S. operations in the third quarter of 1998, as well as a decrease in the overall effective tax rate due to a relatively lower portion of operating income generated in the second half of 1998, primarily as a result of lower sales of high-power products.

YEARS ENDED DECEMBER 31, 1997 AND DECEMBER 31, 1996.

We have reclassified certain reimbursements from customers from selling, engineering and quality assurance expenses to net sales for consistency with the current year presentation.

NET SALES. Net sales increased $17.6 million, or 23.4%, to $93.1 million for the year ended December 31, 1997 from $75.4 million for the year ended December 31, 1996. The increase in revenue resulted primarily from strong growth in unit shipments of standard, modified standard and custom power supplies in both low-range and high-range power configurations during the third and fourth quarter of 1997. Price changes in 1997 were not a significant contributor to overall sales growth. Mirroring the sales increase, our backlog grew to $32.2 million at December 31, 1997, compared to $17.3 million at December 31, 1996. Power conversion product sales increased over 1996 as the result of our wide range of product offerings, continued growth in existing OEM customer accounts and distributors, as well as an increased focus by our strategic national accounts team on key OEM customers.

GROSS PROFIT. Gross profit increased $7.5 million, or 24.8%, to $37.6 million for the year ended December 31, 1997 from $30.1 million for the year ended December 31, 1996, primarily as a result of higher sales. For the year ended December 31, 1997, gross profit margin as a percent of sales increased slightly to 40.4%, up from 39.9% for the prior year ended December 31, 1996. The improvement in gross profit margin was primarily due to lower costs of production following the transfer of manufacturing from our Puerto Rico facility to our Dominican Republic facility, which was completed towards the end of 1996.

SELLING EXPENSE. Selling expense increased $662,000, or 8.8%, to $8.2 million for the year ended December 31, 1997 from $7.5 million for the year ended December 31, 1996. The increase of $662,000

is primarily due to higher payroll costs related to an increase in bonuses to our sales force of $465,000, reclassification of certain distribution expense from manufacturing to selling expense related to our operations in the Dominican

Republic totaling $340,000 and other operating costs aggregating $496,000. These increases were partially offset by a $639,000 reduction in commissions paid to manufacturers' representatives as a result of our renegotiating these commission agreements. As a percent of net sales, selling expense decreased to 8.8% for the year ended December 31, 1997 from 10.0% for the year ended December 31, 1996, which is primarily attributable to higher sales volume.

GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense increased $292,000, or 4.5%, to $6.8 million for the year ended December 31, 1997 from $6.5 million for the year ended December 31, 1996. As a percent of net sales, general and administrative expense decreased to 7.3% in 1997 from 8.6% in 1996. The increase of $292,000 is primarily due to an $861,000 increase in employee performance bonuses as well as growth in staffing levels of administrative personnel, offset by $613,000 of expenses incurred in connection with the transfer of production from Puerto Rico to the Dominican Republic in 1996.

ENGINEERING EXPENSE. Engineering expense declined $278,000, or 6.6%, to $3.9 million for the year ended December 31, 1997 from $4.2 million for the year ended December 31, 1996. As a percent of net sales, engineering expense decreased to 4.2% for the year ended December 31, 1997 from 5.6% for the year ended December 31, 1996. Certain engineering expenses, which had been increased in the first half of 1996 based upon anticipated sales increases, were reduced, primarily by the reduction of administrative personnel as well as a reduction in the use of consultants, in the last half of 1996 as sales declined. We believe that no strategic business was affected by this reduction. We refilled many of these positions by the end of the third quarter of 1997, and management expects its investment in engineering to increase in 1998.

QUALITY ASSURANCE EXPENSE. Quality assurance expense increased $141,000, or 7.5%, to $2.0 million for the year ended December 31, 1997 from $1.9 million for the year ended December 31, 1996. As a percent of net sales, quality assurance expense decreased slightly to 2.2% in 1997 from 2.5% in 1996. The increase of $141,000 is primarily due to higher payroll costs related to growth in staffing levels to support the increase in quality activities generated by the increase in sales volume.

INCOME FROM OPERATIONS. As a result of the above factors, income from operations increased $6.6 million, or 82.7%, to $14.6 million for the year ended December 31, 1997 from $8.0 million for the year ended December 31, 1996. As a percent of sales, income from operations increased to 15.7% for the year ended December 31, 1997 from 10.6% for the year ended December 31, 1996.

INTEREST EXPENSE. Interest expense decreased $1.0 million, or 24.7%, to $3.2 million for the year ended December 31, 1997 from $4.2 million for the year ended December 31, 1996. This decrease was the result of lower bank borrowings and the repayment of all amounts outstanding under our existing bank credit facility with the net proceeds from our IPO in the fourth quarter.

INTEREST AND OTHER INCOME, NET. Interest and other income increased $328,000, to $340,000 for the year ended December 31, 1997, from $12,000 for the year ended December 31, 1996, and is due to interest income generated from investment of a portion of the proceeds from the IPO in short-term, interest-bearing instruments.

INCOME TAXES. The provision for income taxes increased $2.6 million, to $3.5 million for the year ended December 31, 1997, from the pro forma tax expense of $923,000 for the year ended December 31, 1996. Income taxes as a percent of net sales increased to 3.8% in 1997 from a pro forma 1.2% in 1996. The percentage increase primarily reflects an increase in our effective tax rate from 24.3% in 1996 to 30.1% in 1997 resulting from a higher proportion of our earnings being generated in the U.S. rather than in Puerto Rico.

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalents balance decreased $8.0 million, or 74.5% from $10.8 million at December 31, 1998 to $2.8 million at June 30, 1999. The primary source of cash for the first six months of 1999 consisted of net borrowings from credit facilities of $34.5 which was primarily used to finance the purchase of IPD and its manufacturing facility. The primary uses of cash for the first six months of 1999 consisted of $28.3 million for the purchase of IPD, $1.2 million of transaction costs, $12.3 million for the acquisition of property and equipment and $2.5 million for operating activities.

The $2.5 million used for operating activities was primarily attributable to cash earnings from operations of $8.7 million (net income plus depreciation, amortization and in-process research and development charge) offset by $11.2 million used in working capital. The $11.2 million use of working capital was primarily due to an increase in accounts receivable and inventories of $11.4 million and $8.1 million, respectively, offset by an increase in accounts

payable of $7.5 million.

The $12.3 million for acquisition of property and equipment included approximately $4.3 million for the purchase of IPD's manufacturing facility, $2.5 million for hardware, software and implementation support related to our Oracle ERP system conversion, and the balance reflected additional property, plant and capital equipment expenditures consistent to support our growth plans.

We have a $65 million revolving line of credit, which bears interest on amounts outstanding payable quarterly based on our leverage ratio and one of the following rates as selected by us: LIBOR plus 1.25% to 2.50%, or the bank's base rate plus 0% to 1.25%. The credit agreement (a) provides for restrictions on additional borrowings, leases and capital expenditures; (b) prohibits us, without prior approval, from paying dividends, liquidating, merging, consolidating or selling our assets or business; and (c) requires us to maintain a specified net worth, minimum working capital and certain ratios of current liabilities and total debt to net worth. At June 30, 1999, amounts outstanding under our line of credit were $45.5 million.

As a result of the Melcher acquisition, we have various credit facilities with banks in Switzerland and Germany which can be drawn upon in the form of term loans. The aggregate credit limit for all such credit facilities is approximately $13.6 million. Melcher's credit facilities in Switzerland bear interest on amounts outstanding payable at various time intervals and market rates based on Swiss LIBOR plus a margin ranging from 1.25% to 2.00%. Some of Melcher's credit agreements require Melcher to maintain certain financial covenants and to provide certain financial reports to the lenders, none of which materially restricts Melcher. At June 30, 1999, short-term and long-term amounts outstanding under Melcher's credit facilities were $4.3 million and $8.8 million, respectively, and Melcher was in compliance with all debt covenants.

As a result of the IPD acquisition, we have an additional line of credit in the U.S., which bears interest at the bank's prime rate plus 0.75%. Borrowings are limited to the lesser of $4.5 million or 80% of IPD's eligible accounts receivable, as defined. At June 30, 1999, amounts outstanding under IPD's line of credit were $0.2 million.

At June 30, 1999, short-term and long-term amounts outstanding under all credit facilities with banks were $53.3 million and $5.5 million, respectively. Borrowings are collateralized by substantially all of our assets.

We currently anticipate that our total capital expenditures for 1999 will be approximately $16 million, of which approximately $2.8 million represents costs to complete the implementation of our Oracle ERP system, approximately $4.6 million represents investments in surface mount technology automation and approximately $2.9 million represents investments in manufacturing improvements. The amount of these anticipated capital expenditures will frequently change based on future changes in business plans, our financial condition and general economic conditions.

Based on current plans and business conditions, we believe our existing working capital and borrowing capacity, coupled with the funds generated from our operations, will be sufficient to fund our anticipated working capital, capital expenditures and debt payment requirements for the foreseeable future. However, if we make a large acquisition, it may be necessary to raise debt or equity in the private or public securities markets.

QUARTERLY RESULTS

The following table presents our unaudited quarterly operating results. In the opinion of our management, this information has been prepared on the same basis as the financial statements incorporated by reference in this prospectus and includes all adjustments (consisting of only normal recurring accruals) that management considers necessary for a fair presentation of the results for such periods. Such quarterly results are not necessarily indicative of the results of operations of any future period. Our results of operations have fluctuated and may continue to fluctuate from period to period, including on a quarterly basis.

<TABLE>
<CAPTION>

	1997 QUARTERS ENDED				1998 QUARTERS ENDED			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)							
CONSOLIDATED STATEMENTS OF OPERATIONS:								
Net sales	$ 17,910	$ 23,023	$ 24,852	$ 27,283	$ 26,673	$ 24,373	$ 23,101	$ 28,372
Gross profit	7,308	9,277	10,073	10,929	11,103	10,073	8,141	9,756

Income from operations...	2,295	3,100	3,945	5,277	4,088	3,929	328	(243)
Net income (loss) attributable to common stockholders.....	586	1,146	1,706	3,282	3,073	3,048	287	(678)
Diluted earnings (loss) per share.....	$ 0.06	$ 0.11	$ 0.17	$ 0.20	$ 0.18	$ 0.18	$ 0.02	$ (0.04)

<CAPTION>

	1999 QUARTERS ENDED	
	MAR. 31	JUNE 30
<S>	<C>	<C>
CONSOLIDATED STATEMENTS OF OPERATIONS:		
Net sales.....	$34,834	$ 46,568
Gross profit.....	13,181	19,947
Income from operations...	(3,364)	4,462
Net income (loss) attributable to common stockholders.....	(3,517)	1,979
Diluted earnings (loss) per share.....	$ (0.21)	$ 0.11

</TABLE>

YEAR 2000 ISSUE

Many existing computer systems and software programs are coded to accept two digit entries rather than four digits to define the applicable year. These systems may, for example, recognize the year "00" as 1900 instead of 2000. If the problem is not corrected, many systems and computer applications could fail or create erroneous results.

Our business faces risk from unforeseen problems with our own information systems and systems of our third party suppliers and customers. To address these risks, we established a task force in early 1998, and since then have been actively engaged in ensuring that our systems are Year 2000 compliant.

We have substantially completed an extensive review to ensure the internal readiness of our computer systems and the embedded systems commonly found in manufacturing equipment such as microcontrollers. We have assessed our products, and they are not date sensitive.

We have also assessed the readiness of our key suppliers, subcontractors and customers for the Year 2000 calendar change. To date we have received survey responses from approximately 85% of our most important suppliers, which indicate that they are aware of the Year 2000 compliance issue and that they intend to be fully Year 2000 compliant and certified by year-end 1999. We expect the balance of critical vendors to respond to our surveys by the third quarter of 1999.

In April 1999, we significantly reduced our exposure to the Year 2000 compliance issue by partially implementing a new Oracle ERP system, which is Year 2000 compliant, in our California and Mexico facilities. However, we may experience difficulties in completing implementation in California and Mexico and in installing it in our remaining operations. If we do, it could adversely affect our business and our operating results.

We are also modifying or replacing, as necessary, other third party software applications in order to ensure that they are Year 2000 compliant. We expect to substantially complete the remediation of our computer systems in California, Mexico and the Dominican Republic by the end of September 1999, before any potential adverse impact on our business. Melcher, however, has not yet finished assessing its products or computer systems or the effect that problems with its suppliers' systems may have on its operations. At this point, Melcher expects to finish its Year 2000 remediation and testing efforts by the end of the third quarter of 1999, but Melcher may experience delays, which could adversely affect Melcher's results of operations. In any event, we do not expect the overall costs to complete our Year 2000 project to be material. We believe that the most significant adverse effect on our business related to Year 2000 compliance would be that some of our smaller and less relied-upon suppliers may not have systems that are Year 2000 compliant, delaying our receipt of materials from them and our fulfillment of customers' orders.

BUSINESS

We are a leading designer and manufacturer of more than 2,500 high-quality brand name power supplies. Our power supplies are designed to meet the power needs of various subsystems and components within electronic equipment. Power supplies:

- primarily supply, regulate and distribute electrical power within electronic equipment;

- either convert alternating current to direct current, an AC/DC power supply, or modify direct current into other levels of direct current, a DC/DC power supply;

- provide electronic components with a precise and constant supply of electrical power at one or more voltage levels;

- regulate and monitor voltages to protect electronic components within equipment from surges or drops in voltage, to prevent electronic equipment from being damaged by its own malfunction and to provide back-up power if a primary power source fails; and

- are typically classified as standard, modified standard and custom. While we manufacture and sell all three product classifications, we focus on standard and modified standard products.

We sell our products both to OEMs and distributors who value quality, reliability, technology and service. We have more than 10,000 customers in the communications, industrial, automatic/semiconductor test equipment, transportation, medical equipment, and other electronic equipment industries. Our OEM customers include industry leaders such as Cisco, Nortel, Teradyne, Lucent, Hewlett-Packard, Siemens and Ericsson. We are also a leading provider of power supplies to domestic distributors, including Pioneer Standard Electronics, Sterling, Arrow, Kent Electronics and Future Electronics.

We were founded in 1973 as a manufacturer of AC/DC power supplies and until 1981 operated solely from our Southern California facility. During the 1980's, we established additional operations in Puerto Rico and Mexico to take advantage of certain labor, manufacturing and, in Puerto Rico, tax efficiencies. Between 1994 and 1996, we moved most of our Puerto Rico manufacturing operations to the Dominican Republic to capitalize on certain labor benefits. In September 1995, Stephens Group Inc., an affiliate of Stephens Inc., and our management purchased Power-One from its previous owners and formulated a more aggressive growth strategy, which included a plan to grow through acquisitions. In the last year, we substantially expanded our product offerings, scale and geographic breadth through two significant acquisitions. Our pro forma net sales have increased from $75.4 million in 1996 to pro forma net sales of $161.6 million in 1998, a compound annual growth rate of 46.4%. We believe that we are one of the largest power supply companies in the world that specializes in standard and modified standard power supplies. We also believe that our gross profit margins are among the highest in the industry. Our gross profit margin has been approximately 40% during the past three years.

RECENT ACQUISITIONS

In August 1998, we increased our international presence and our portfolio of products by acquiring Melcher for $53 million, including debt assumed. Located in Uster, Switzerland, Melcher primarily designs and manufactures high-reliability DC/DC and AC/DC power supplies which it sells to leading OEMs throughout Europe and North America, including Ericsson, Daimler-Chrysler and Siemens. High-reliability power supplies are designed for rugged use in heavy-duty equipment in industries such as transportation and telecommunications. Melcher has manufacturing operations in three European locations and sales and application engineering offices in six European countries. By acquiring Melcher, we added approximately 750 products to our portfolio and gained better access to the $4 billion European power supply market. In addition, we are now able to use Melcher's direct sales force of 59 sales professionals and its marketing channels to sell Power-One's portfolio of products both to new customers and Melcher's existing customers in Europe.

In January 1999, we further broadened our portfolio of DC/DC products by acquiring IPD. We acquired IPD for $32 million including capitalized lease obligations and other indebtedness of IPD, or a total capital outlay of $28.3 million. In addition, we are required to pay up to $13 million to IPD's former shareholders, if IPD attains certain defined operational performance objectives in the 13 month period ending on March 31, 2000. We subsequently acquired IPD's facility in Boston, Massachusetts for approximately $4 million. IPD is a leading supplier of high-density DC/DC power supplies, which it distributes primarily in North America. High-density DC/DC power technology is preferred in applications using high-speed/low-voltage logic, including the fast growing voice and data communications industries. IPD sells over 90 models of high-density DC/DC products to leading OEMs, including Cisco, Newbridge Networks and Nortel. As

part of the acquisition, we also acquired IPD's 49% ownership position in Shenzhen SED-IPD International Electronic Device Co., Ltd., a joint-venture based in Shenzhen, China. We are currently moving the production of IPD's higher volume products from its Boston facility to our lower cost manufacturing facility in Mexico. Our acquisition of IPD has given us greater access to the $2.9 billion worldwide merchant market for DC/DC power supplies. It has also made us a leader in distributed power architecture, which distributes DC/DC power supplies throughout the electronic infrastructure of the end product. The worldwide market for DC/DC products is estimated to grow faster during the next five years than the overall power supply market.

INDUSTRY AND MARKET OVERVIEW

The two primary types of power supplies are AC/DC and DC/DC power supplies. AC/DC power supplies convert alternating current from a primary power source, such as a wall outlet, into a precisely controlled direct current. Virtually every electronic device that plugs into an AC wall socket requires some type of AC/DC power supply. DC/DC power supplies modify an existing DC voltage level to other DC levels to meet the power needs of various subsystems and components within electronic equipment.

Power supplies are configured using both linear and switching technology. Linear power supplies offer low noise and precise voltage regulation specifications, which are characteristics required for specialized applications such as analog-to-digital converters and operational amplifiers used in the instrumentation industry. Switching power supplies utilize energy more efficiently, are smaller and weigh less than linear power supplies. The market for switching power supplies is estimated to be the fastest growing segment of the power supply market. Switching power supplies comprise most of our product line.

Power supplies are typically classified as standard, modified standard or custom. Standard power supplies are not typically industry-wide standards. Rather, they are power supplies that a particular company, such as Power-One, manufactures as its own standard catalog products that customers can use for many different applications. Modified standard products are standard products that are modified slightly to meet a customer's specific design requirements. Because they have already been designed and manufactured, standard and modified standard products allow end customers to reduce their time-to-market and minimize costs for new product introductions. Custom power supplies are designed for a specific customer to meet the specifications for a unique application. It typically takes four to six months to produce a custom product and requires the expenditure of significant up-front engineering costs. In addition, users of custom products frequently have high-volume production requirements and operate in more price sensitive industries. As a result, profit margins on custom products are typically lower than margins on standard products. Unlike some technology products, power supplies, whether standard, modified standard, or custom, can be difficult to match exactly or replace with products manufactured by another supplier without considerable investment. Thus, once a power supply has been designed into a customer's product, it is normally difficult and costly for the customer to change suppliers during that product's life cycle. However, customers who manufacture their products in high volumes typically require two sources for power supplies.

MARKET SIZE AND TRENDS

The power supply industry is highly fragmented, consisting of an estimated 1,000 companies worldwide, including over 300 in North America. Only six power supply companies in the world, most of which specialize in custom products, had merchant market sales greater than $200 million in 1997. The average power supply company is estimated to have annual sales of approximately $15 million. In 1998, the worldwide market for switching power supplies was estimated to be approximately $16 billion, including approximately $7 billion in North America. The worldwide market is expected to grow to approximately $21 billion in 2002, and the North American market is expected to grow to approximately $9 billion by 2002.

We see the significant trends in the power supply industry as:

USE OF DISTRIBUTED POWER ARCHITECTURE. The communications and networking industries are utilizing lower voltage semiconductors that require the power supply to be located closer to the specific application. As a result, many new products are designed with distributed power architecture, or DPA, that distributes high-density switching DC/DC power supplies throughout the electronic infrastructure of the end product. This DPA segment of the power supply industry is expected to grow faster than the overall market for the next several years.

SHORTENED TIME-TO-MARKET. To compete successfully in their industries, OEMs must bring products with a wider variety of features to market as quickly as

possible. We believe that as OEMs face greater competition to accelerate the time-to-market for their new products, they are increasingly incorporating standard and modified standard power supplies into their products.

RELIANCE ON FEWER SUPPLIERS. In the past, customers typically purchased power supplies from multiple suppliers. However, in order to lower costs and accelerate delivery schedules, OEMs and electronic distributors are increasingly reducing their supplier base to include only vendors who can offer a broad range of products and service most of their needs. In addition, OEMs who purchase power supplies have merged with or acquired other companies as part of consolidation trends in their own industries. These larger OEM customers increasingly rely on suppliers with greater financial resources and broader product lines.

OUTSOURCING TO MERCHANT MANUFACTURERS. Captive power supply manufacturers design and manufacture power supplies primarily for use in their own products. Merchant power supply manufacturers design and manufacture power supplies for use by OEMs. The merchant segment of the power supply market in North America was estimated to be approximately 62% of the total power supply market in 1997. The merchant segment is expected to grow to approximately 69% of the overall market by 2002 as OEMs increasingly focus on core competencies and outsource the manufacturing of power supplies to more efficient suppliers. In many cases, we believe that as this outsourcing occurs, many OEMs will divest their power supply businesses.

BUSINESS STRATEGY

We focus on customers in high-end electronics industries who value quality, reliability, technology and service. Our goal is to be the leading manufacturer of standard and modified standard power supplies. To accomplish our goal, we plan to:

BROADEN OUR STANDARD PRODUCT LINE. We believe that we offer customers one of the broadest ranges of AC/DC and DC/DC standard and modified standard power supplies in the world. Our standard product line includes over 2,500 different models that are available from 1 to 4,000 watts. We are a leader in power supply design, innovation and new product introduction. We plan to continue to develop and expand our standard and modified standard product lines. We believe this expansion,

together with our highly flexible and quick changeover manufacturing process, will allow us to meet the requirements of our customers to bring new products to market more rapidly and cost effectively.

EXPAND RELATIONSHIPS WITH KEY OEMS. We focus on maintaining and establishing long-term relationships with leading OEMs in high growth industries. As part of our efforts to develop and expand these key relationships, we implemented our Strategic National Accounts Program, or SNAP, in 1997. As part of SNAP, we have seven professionals who work directly with OEMs who are large enough to have annual orders of more than $3 million. In addition, our recent acquisitions have significantly expanded our OEM customer base, and we are implementing programs to aggressively cross-sell our broad range of products to these new customers.

STRENGTHEN OUR POSITION AS A LEADER IN DC/DC POWER SUPPLIES AND, IN PARTICULAR, DPA PRODUCTS. By acquiring Melcher and IPD, we have become a leading supplier of DC/DC power supplies with over 1,750 products. In addition, we believe that our acquisition of IPD, a technological leader in high-density DC/DC products, has positioned us to better fulfill our customers' DPA requirements. We intend to continue expanding our DC/DC product offerings so that we can strengthen our competitive position in the DPA market.

PURSUE ACQUISITIONS. We plan to pursue growth opportunities by continuing to acquire other power supply companies. We believe the fragmentation of the power supply market, our customers' consolidation of their supplier bases and the limited product offerings and relative undercapitalization of most of our smaller competitors will present opportunities for further consolidation in our industry. We also believe that an acquisition in Asia will significantly lower our materials and labor costs.

MAINTAIN STRONG RELATIONSHIPS WITH DISTRIBUTORS. We believe that we were one of the first manufacturers to sell power supplies through distributors. Additionally, as a result of Power-One's strong brand name for quality and service, we have developed one of the largest networks of distributors in the U.S. We believe that our large network of distributors enables us to efficiently sell our products to significantly more customers than we could using our direct sales force. In addition, our relationships with our distributors provide us with readily available shelf-space for our new products that we develop and acquire.

PRODUCTS

Our products are divided primarily into the following categories:

<TABLE>
<CAPTION>

RANGE	WATTS	TYPICAL CHARACTERISTICS	REPRESENTATIVE APPLICATIONS	REPRESENTATIVE SALES PRICE RANGE (1)
<S>	<C>	<C>	<C>	<C>
AC/DC PRODUCTS				
Low-Power	30-200 watts	-Higher unit volume -Low technology	-Small industrial implementation systems -Point-of-sale terminals -Small networking systems	$15 - 125
Mid-Power	200-500 watts	-Medium unit volume -Moderate technology	-Work stations -Data/voice communication systems -Medical diagnostic equipment	$130 - 400
High-Power	500-4000 watts	-Lower unit volume -High technology	-Semiconductor test systems -Flight simulators -Advanced medical imaging equipment -Large scale data processors	$400 - 2,500
DC/DC PRODUCTS				
Low-Power/ Low-Density	1-50 watts	-More compatible with power supplies manufactured by competitors -Easily sold through distributors	-Diverse industrial applications -Communication products -Transportation	$5 - 90
High-Power/ High-Density	50-300 watts	-Technologically complex -Complex manufacturing process -Relatively new technology -Very small size	-Telecommunication equipment -Data communication equipment -Diverse industrial applications	$55 - 145
LINEAR PRODUCTS				
	5-150 watts	-Low noise -Excellent voltage regulation -High voltage isolation	-Analog-to-digital converters -Operational amplifiers -Medical electronics	$20 - 150

</TABLE>

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(1) Melcher products, which are designed for high reliability and rugged conditions, are typically sold for substantially higher prices than those represented here.

LOW-POWER AC/DC PRODUCTS. Most of our low-power AC/DC power supplies use a universal input voltage circuit, which automatically detects if the AC line is 110 or 220 volts, allowing the products to be used worldwide without modification. In 1997, we introduced a new generation of low-range power supplies targeted to our higher volume customers and the communications markets. In addition, we have designed a line of low-power, high-reliability AC/DC products that are specifically designed for our customers in the transportation and high-reliability industrial markets.

MID-POWER AC/DC PRODUCTS. Most of our mid-power AC/DC products have the universal input voltage circuit described above. We offer a range of products that provide our customers a variety of features and options within the mid-range power area. In 1999, we added a new line of 250-watt power supplies to address the needs of customers in the communications market.

HIGH-POWER AC/DC PRODUCTS. Our high-power AC/DC power supplies are based upon a modular configuration. We have ten platforms and 83 modules that we have sold in more than 1,400 configurations. Additionally, through our acquisition of

Melcher, we have a non-modular line of high-power telecommunications power supplies that are designed for use in rugged applications.

LOW-POWER/LOW-DENSITY DC/DC PRODUCTS. We manufacture over 500 different types of low-power DC/DC power supplies. Unlike AC/DC products, DC/DC power supplies are typically more compatible with power supplies manufactured by others and can often replace competitors' DC/DC products.

HIGH-POWER/HIGH-DENSITY DC/DC PRODUCTS. We manufacture high-density DC/DC products, which are best suited for DPA. These products are essentially the same size as low-density DC/DC products but have significantly greater output power. We also manufacture a line of DC/DC products specifically for use by OEMs in the transportation and high-reliability industrial markets, as well as sectors of the communications industry that require rugged, high-reliability products.

LINEAR PRODUCTS. We are an industry leader in and have manufactured standard linear AC/DC products since our founding in 1973. Linear power supplies are larger, heavier and less efficient than switching power supplies. However, linear products are better suited for equipment with low noise requirements, such as high precision medical and industrial equipment. We expect that sales of our linear products, which accounted for 17% of our net sales in 1998, will decline in dollar volume in the coming years, as end-users redesign their products to use switching power supplies. Also, as a result of rapid growth in sales of our other products, we expect that sales of linear products as a percentage of overall sales will decline significantly.

In addition to the standard and modified standard products described above, we design and manufacture AC/DC and DC/DC custom products for select OEM customers to meet unique requirements in size, wattage or configuration. We believe that we can use our large base of standard products and standard circuit designs as platforms to address the custom needs of our customers quickly and effectively.

CUSTOMERS

We sell our power supplies to over 10,000 OEMs through our direct sales force, manufacturers representatives and indirectly through our distributors. Teradyne and Cisco are the only OEM customers who have accounted for more than 10% of our net sales in any year since 1995. Teradyne accounted for 15% of our net sales in 1997 and 13% in 1998. Cisco accounted for 11% of net sales in 1997 and 11% in the first half of 1999.

Our top 25 OEM customers accounted for 45% of sales in the first half of 1999, up from 41% in 1998, and included Cisco, Nortel, Teradyne, Lucent, Hewlett-Packard, Siemens and Ericsson.

Sales in 1996, 1997, 1998 and the first six months of 1999 were to the following markets:

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED DECEMBER 31,			
	1996	1997	1998	SIX MONTHS ENDED JUNE 30, 1999
<S>	<C>	<C>	<C>	<C>
Communications	26%	30%	29%	42%
Industrial	10%	9%	14%	19%
Automatic/Semiconductor test equipment	21%	32%	23%	8%
Medical equipment	22%	12%	10%	8%
Transportation	0%	0%	7%	8%
Computer, Retail and Other	21%	17%	17%	15%
Total	100%	100%	100%	100%

</TABLE>

SALES AND MARKETING

At June 27, 1999, we had 110 sales and marketing professionals. Our domestic sales and marketing department consisted of 51 professionals, including 25 salespeople, 12 regional sales managers, two product marketing managers, six

strategic national account managers and a comprehensive technical support and service staff. Our European sales and marketing department consisted of 59 sales professionals located in six sales offices in Switzerland, Germany, France, England, Italy, and the Netherlands. Six product managers and a technical and service staff located in Switzerland and Germany support our European sales force. Additionally, we sell products in China through IPD's joint venture in Shenzhen and through one of our distributors.

The percentage break-down of products that we sold to OEMs and distributors in 1996, 1997, 1998 and the first six months of 1999 is as follows:

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED DECEMBER 31,			
	1996	1997	1998	SIX MONTHS ENDED JUNE 30, 1999
<S>	<C>	<C>	<C>	<C>
OEMs	49%	56%	61%	75%
Distributors	51%	44%	39%	25%

</TABLE>

Although dollar volume sales to distributors have remained relatively constant, they have decreased as a percentage of our total sales because our acquisitions and SNAP program have increased sales to OEMs.

OEM AND STRATEGIC ACCOUNT SALES. In North America, we use our direct sales force and manufacturers' representatives to sell our products to OEMs. In Europe, we primarily use our direct sales force but also utilize some manufacturers' representatives and distributors. Our manufacturers' representatives cover North America, Eastern Europe, Northern Europe, the Middle East, Asia, Africa and Australia. In 1997, we formed SNAP to target existing and potential OEM customers who are leaders in high-growth industries and who we believe could order over $3 million of power supplies annually. We expect that our sales to OEMs will increase in the future as we increasingly emphasize sales to strategic accounts.

SMALL ACCOUNT SALES BY DISTRIBUTORS. We have one of the largest domestic distribution networks in the power supply industry. We have contracts with over 48 distributors with locations in more than 478 cities worldwide. Twenty-eight of our distributors are headquartered in the U.S. with branch offices throughout the U.S. and Canada. Many of these distributors have been selling our products for over

ten years. We believe that customer loyalty to the Power-One brand and our wide range of standard products enhances our distribution network. Pioneer Standard Electronics accounted for 15% and 12% of net sales in 1996 and 1997, respectively. No other distributor accounted for more than 10% of our annual net sales during the last three years. Pioneer has distributed our products for more than ten years.

RESEARCH AND DEVELOPMENT/ENGINEERING

Our research and development group consists of 20 design teams and 118 full-time employees located in California, Massachusetts, Switzerland and Ireland. We invested over 6% of our 1998 net sales in engineering. Our research and development department primarily develops new standard power supply products, as well as modifications and improvements for existing products. Within our target markets, we strive to expand applications that use our power supplies by approaching current and potential customers and discussing their future product directions and requirements. We also direct a limited amount of our engineering activities toward creating custom products. Additionally, we focus our research activities on improving power conversion efficiency, reducing product and component costs, improving manufacturability, reducing product size, and implementing new manufacturing processes.

MANUFACTURING PROCESS AND QUALITY CONTROL

A typical power supply consists primarily of a printed circuit board, electronic components, transformers and other electromagnetic components, and a sheet metal chassis. Production of our power supplies entails the assembly of structural hardware combined with a sophisticated assembly of circuit boards. In response to market demands for increased quality and reliability, design complexity, and sophisticated technology, we automated many electronic assembly and testing processes which we previously performed manually. We also standardized our manufacturing processes to utilize our resources efficiently and optimize our capacities.

Our manufacturing process is designed to quickly produce a wide variety of quality products at a low cost. We use many techniques such as cell-based manufacturing, common componentry in our product designs and state-of-the-art production equipment to achieve this goal. We recently purchased four new surface mount technology, or SMT, assembly lines. We have already installed three of these lines in our Mexico facility, and we expect the fourth to be operational in our Dominican Republic facility by the end of October. These SMT lines are capable of changeovers in under five minutes and up to approximately 44,000 component placements per hour. SMT permits us to reduce board size by eliminating the need for holes in the printed circuit boards and by allowing us to use smaller components. We believe our substantial investment in SMT technology will significantly increase throughput and capacity while also increasing product quality.

Many of our customers and other end-users increasingly require that their power supplies meet or exceed established international safety and quality standards as their operations expand internationally. In response to this need, we design and manufacture power supplies in accordance with the certification requirements of many international agencies. These agencies include Underwriters Laboratories (UL) in the U.S.; the Canadian Standards Association (CSA) in Canada; Technischer Uberwachungs-Verein (TUV) and Verband Deutscher Electrotechniker (VDE) in Germany; the British Approval Board for Telecommunications (BABT) in the United Kingdom; and International Electrotechnical Committee (IEC), a European standards organization.

Quality products and responsiveness to the customer's needs are of critical importance in our efforts to compete successfully. Given their importance, we emphasize quality and reliability in both the design and manufacture of our products. In addition to testing throughout the design and manufacturing process, we test and burn-in 100% of all products using automated equipment and customer-

approved processes. We perform an additional out-of-box test or pre-ship audit on randomly selected units before shipment, further ensuring manufacturing quality and integrity.

We manufacture and assemble our products primarily at our facilities in Slovakia, the Dominican Republic, Mexico and Massachusetts. All of our facilities are ISO 9000 certified. We are currently in the process of moving much of our high volume IPD business to our lower cost facilities in Mexico and the Dominican Republic and our high volume Melcher business to Slovakia, the Dominican Republic and Mexico.

SUPPLIERS

We typically design products using components readily available from several sources and attempt to minimize our use of components that we can obtain through only one source. Raw materials are generally available in large quantities from a number of different suppliers who provide electronic bonding and safety stock programs to ensure availability. We have a number of volume purchase agreements, or VPA's, with selected suppliers of key items such as wire, fuses, resistors, connectors, capacitors, sheet metal and semiconductors. We use VPA's, which typically have 12 to 18 month terms, to ensure that we have a constant source for required supplies. This practice enables us to reduce inventory expense and produce substantial cost savings through volume purchase discounts. We have not had a supply shortage that had a material adverse effect on our business.

MANAGEMENT INFORMATION TECHNOLOGY

In April 1999, we installed an Oracle ERP system. The Oracle ERP system enables us to better organize and share critical information for our management team. The web-based system allows for the input and access of important information from any location. The system is capable of supporting a much larger business and will allow us to easily integrate future acquisitions into our operations. The system is Year 2000 compliant, and although it is not fully operational, we have already used it to close our second quarter financials for 1999.

BACKLOG

We sell our products pursuant to purchase orders rather than long-term contracts. Backlog consists of purchase orders on-hand having delivery dates scheduled within the next six months. The table below illustrates our backlog at December 31, 1998, March 31, 1999 and June 30, 1999:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	MARCH 31, 1999	JUNE 30, 1999

Backlog	$ 26 million	$ 42 million	$ 63 million

Customers may cancel or reschedule most deliveries without penalty. Our backlog has historically been a reliable indicator of future financial results; however, backlog may not be as reliable an indicator in the future as customers switch more orders to just-in-time deliveries. As a result, backlog may decrease even if sales increase.

COMPETITION

The merchant power supply manufacturing industry is highly fragmented and characterized by intense competition. As of October 1997, there were estimated to be over 1,000 power supply manufacturers worldwide, including over 300 in North America. Only six power supply companies in the world, most of which specialize in custom products, had merchant market sales greater than $200 million in 1997. The average power supply company is estimated to have annual sales of approximately $15 million. No single company dominates the overall power supply market, and our competitors vary depending upon the power range of the product. Our competition includes companies located throughout the world including Artesyn, Astec and Lucent. We believe that the principal bases of competition in our targeted markets are breadth of product line, quality, reliability, technical knowledge, flexibility, readily available products and a competitive price. In times of an economic downturn, or when dealing with high volume orders, we believe that price becomes a more important competitive factor. Moreover, we believe price will become a more important competitive factor in the future as the power supply industry consolidates, OEMs become larger and more entrants from Asia begin to compete with us. Many of our competitors are larger than us, and they may be able to obtain materials at significantly lower prices. Depending on the location of our plants, we may not be able to procure materials at costs as low as the materials costs of some of our competitors.

INTELLECTUAL PROPERTY MATTERS

We regard certain equipment, processes, information and knowledge that we have developed and use to design and manufacture our products as proprietary. We rely on a combination of trade secret and other intellectual property laws, confidentiality agreements executed by most of our Camarillo employees and other measures to protect our proprietary rights. We currently hold 20 issued patents, most of which are protected in more than one country. The remaining terms of these patents vary with the earliest expiring in 2005. We also have various patents pending as well as nine trademarks.

EMPLOYEES

At June 27, 1999, we employed 2,941 employees at our facilities in the following functions:

CAPACITY	NUMBER OF EMPLOYEES
Manufacturing	2,340
Engineering	205
General and administrative	167
Sales and marketing	141
Quality assurance	88
Total	2,941

We believe that our continued success depends, in part, on our ability to attract and retain qualified personnel. We consider our relations with our employees to be good. None of our employees are represented by a union.

FACILITIES

The table below lists the Company's principal manufacturing and research and development facilities.

<TABLE>
<CAPTION>

LOCATION	APPROXIMATE SIZE (SQUARE FEET)	EMPLOYEES	PRIMARY ACTIVITY
<S>	<C>	<C>	<C>
San Luis, Mexico	113,000	956	Manufacturing and Assembly
Santo Domingo, Dominican Republic	99,000	931	Manufacturing and Assembly, Warehousing
Camarillo, California	98,000	218	Administration, Research and Development, Manufacturing, Sheet Metal Fabrication, Warehousing, Marketing and Sales
Boston, Massachusetts	58,000	420	Administration, Research and Development, Manufacturing, Warehousing, Marketing and Sales
Uster, Switzerland	53,000	204	Administration, Research and Development, Manufacturing, Warehousing, Marketing and Sales
Isabela, Puerto Rico	46,000	29	Sub-assembly
Dubnica Nad Vahom, Slovakia	36,000	119	Manufacturing and Assembly
Limerick, Ireland	9,000	19	Research and Development, Small-volume Manufacturing and Assembly

</TABLE>

We own our facilities in Mexico, Massachusetts, Slovakia and one 27,000 square foot facility in Uster, Switzerland included in the facilities listed above. We lease the rest of our facilities pursuant to lease agreements with expiration dates through 2008 in North America and 2005 in Europe.

LEGAL PROCEEDINGS

We are involved in routine litigation arising in the ordinary course of our business. In our opinion, none of the pending litigation matters will have a material adverse effect on our consolidated financial condition or results of operations.

MANAGEMENT

The following is a list of our current directors and executive officers:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Steven J. Goldman.....	42	President, Chief Executive Officer and Chairman of the Board
Eddie K. Schnopp.....	41	Sr. Vice President, Finance, Chief Financial Officer and Secretary
Dennis R. Roark.....	52	Executive Vice President and Chief Technology Officer
Brad W. Godfrey.....	40	Sr. Vice President, Operations
David J. Hage.....	52	Sr. Vice President, Sales and Marketing
Dr. Hanspeter Brandli.....	60	Director
Jon E.M. Jacoby.....	61	Director

</TABLE>

STEVEN J. GOLDMAN. Mr. Goldman, who joined us in 1982, became our President and Chief Executive Officer in 1990 and was named Chairman of the Board in February 1997. He received his B.S. degree in electrical engineering from the University of Bridgeport and his M.B.A. degree from Pepperdine University's Executive program. Mr. Goldman is a contributing member and Co-Membership Chairman of the San Fernando Valley Chapter of the Young President's Organization.

EDDIE K. SCHNOPP. Mr. Schnopp, who joined us in 1981, was appointed Vice President of Finance and Logistics in 1993 and Secretary and Chief Financial Officer in 1995. He was appointed Sr. Vice President, Finance, Chief Financial Officer and Secretary in February 1999. He received his B.S. degree in

Accounting from California State University Northridge. Mr. Schnopp is married to Ms. Koep.

DENNIS R. ROARK. Mr. Roark, who joined us in 1988, was appointed Executive Vice President of the Company in 1990. He was appointed Chief Technology Officer in February 1999. Before joining us, Mr. Roark co-owned and managed California D.C. Power Supplies, Inc., a designer and manufacturer of power supplies. He received his B.S. degree in Engineering from California Polytechnic University-Pomona.

BRAD W. GODFREY. Mr. Godfrey, who joined us in 1988, was appointed Vice President of Worldwide Manufacturing in 1993. He was appointed Sr. Vice President, Operations in February 1999. Before joining us, Mr. Godfrey owned Reflections Manufacturing, a furniture and glass manufacturing company in Canada.

DAVID J. HAGE. Mr. Hage was appointed Vice President of Sales and Marketing when he joined us in 1993. He was appointed Sr. Vice President, Sales and Marketing in February 1999. Before joining us, Mr. Hage was the Executive Vice President of Power Convertibles Corporation, a subsidiary of Burr/Brown, Inc. His previous experience includes Marketing Manager of International Electric Utility and Field Systems Support Manager at Honeywell, and Director of Marketing Systems and Director of Marketing Planning at SGS-Thomson Semiconductors. Mr. Hage received his B.S. degree in Electrical Engineering from Northern Arizona University and his M.B.A. degree from Arizona State University.

DR. HANSPETER BRANDLI. Dr. Brandli, who became a director in 1998, is Chairman of the Board of Danzas Holding Ltd. Since 1993, Dr. Brandli has owned and operated HPB Management Services, a management services company. He received a Diploma in Physics in 1963 from the Federal Institute of Technology (ETH) in Zurich, Switzerland and Ph.D. in Physics from the University of Berne/Switzerland in 1968. Dr. Brandli is also President of the Board of Directors of Melcher Ltd., Uster, Domenic Melcher Ltd., Uster, Melcher Holding Ltd., Cham, and Melcher Produktion Ltd., Cham, which are all subsidiaries of the Company's subsidiary, Melcher Holding AG.

JON E.M. JACOBY. Mr. Jacoby is a director and an Executive Vice President of Stephens Group, Inc. Mr. Jacoby is a Senior Executive Vice President of Stephens Inc., an affiliate of Stephens Group, Inc., where he has been employed since 1963. He received his B.S. degree from the University of Notre Dame and his M.B.A. from Harvard Business School. He is a director of Delta & Pine Land Company and Beverly Enterprises, Inc.

SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock by the selling stockholders immediately before this offering and as adjusted to reflect their sales of our common stock pursuant to this offering. The selling stockholders have provided us with all information with respect to their beneficial ownership.

<TABLE>
<CAPTION>

	OWNERSHIP OF COMMON STOCK PRIOR TO THE OFFERING(2)		NUMBER OF SHARES	OWNERSHIP OF COMMON STOCK AFTER THE OFFERING(2)(3)	
OWNER(1)	NUMBER OF SHARES	PERCENTAGE OWNERSHIP	OFFERED HEREBY	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
<S>	<C>	<C>	<C>	<C>	<C>
Voting Trust dated as of June 8, 1998 (4).....	6,771,188	39.5	1,540,600	5,230,588	24.7
Steven J. Goldman (5).....	1,835,847	10.7	459,200	1,376,647	6.5
Eddie K. Schnopp (6).....	253,835	1.5	63,500	190,335	*
Dennis R. Roark.....	528,775	3.1	132,200	396,575	1.9
David J. Hage.....	535,511	3.1	133,900	401,611	1.9
Brad W. Godfrey (7).....	289,938	1.7	72,500	217,438	1.0
Donna Koep (8).....	154,849	*	38,700	116,149	*
All other selling stockholders (9).....	237,609	1.4	59,400	178,209	*

</TABLE>

---

* Less than 1%.

(1) The address for each stockholder listed above is c/o the Company, 740 Calle Plano, Camarillo, California 93012, except for the Voting Trust, whose

address is 111 Center Street, Little Rock, Arkansas 72201.

(2) Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commisson and includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of our common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding the options but are not deemed outstanding for computing the percentage ownership of any other person. This information is based on 17,137,851 shares outstanding on August 31, 1999 and 21,137,851 shares outstanding after this offering.

(3) Assumes no exercise of the option that we have granted to the underwriters to purchase an additional 975,000 shares.

(4) Stephens Group, Inc. and certain of its shareholders, directors, officers and related parties have contributed their shares to a voting trust pursuant to which the trustee of the trust has sole voting power. The voting trust is required to vote such shares "for" or "against" proposals submitted to our stockholders in the same proportion as the votes cast "for" and "against" such proposals by all other stockholders, excluding abstentions.

The following entities and individuals, who have contributed shares to the voting trust, as shown below, are selling stock in this offering:

<TABLE>
<CAPTION>

	COMMON STOCK HELD IN VOTING TRUST PRIOR TO THE OFFERING		NUMBER OF SHARES OFFERED HEREBY	COMMON STOCK HELD IN VOTING TRUST AFTER THE OFFERING	
	NUMBER OF SHARES	PERCENTAGE OWNERSHIP		NUMBER OF SHARES	PERCENTAGE OWNERSHIP
<S>	<C>	<C>	<C>	<C>	<C>
Stephens Group, Inc.	3,704,050	21.6%	860,400	2,843,650	13.5%
Jackson T. Stephens Trust One	96,908	*	24,200	72,708	*
Bess C. Stephens Trust UID 1/4/85	151,204	*	37,800	113,404	*
Warren & Harriet Stephens Children's Trust	120,679	*	20,700	99,979	*
Harriet Calhoun Stephens Trust UID 3/22/84	20,618	*	5,200	15,418	*
Elizabeth Ann Stephens Campbell Revocable Trust	304,362	1.8%	76,100	228,262	1.1%
W. R. Stephens Jr. Revocable Trust	364,363	2.1%	91,100	273,263	1.3%
Jackson T. Stephens Grandchildrens Trust AAAA	492,289	2.9%	123,100	369,189	1.7%
Pamela Diane Stephens Trust One UID 4/10/92	366,871	2.1%	91,700	275,171	1.3%
Warren Miles Amerine Stephens Trust UID 9/10/86	63,720	*	10,000	53,720	*
John Calhoun Stephens Trust UID 12/1/87	63,720	*	10,000	53,720	*
Laura Whitaker Stephens Trust UID 12/28/90	63,720	*	10,000	53,720	*
Coral Two Corporation	143,748	*	35,900	107,848	*
Coral Partners	94,089	*	23,500	70,589	*
Jon E.M. Jacoby	94,089	*	23,500	70,589	*
Jacoby Enterprises, Inc.	209,088	1.2%	52,300	156,788	*
J & J Partners	52,272	*	13,100	39,172	*
Doug Martin	67,953	*	17,000	50,953	*
Rebecca Dickson	20,000	*	5,000	15,000	*
Paula Ruffin	20,000	*	5,000	15,000	*
Sarah Dickson	20,000	*	5,000	15,000	*

</TABLE>

Doug Martin was previously one of our directors from September 1995 to April 1998. Jon E.M. Jacoby is currently one of our directors. Mr. Jacoby is deemed beneficially to own a total of 1,437,385 shares (8.4%) of our common stock, including the shares contributed to the Voting Trust by Coral Two Corporation, Coral Partners, Jacoby Enterprises, Inc., J&J Partners, Warren & Harriet Stephens Children's Trust and Jackson T. Stephens Grandchildrens Trust AAAA, as well as the shares described in footnote 9 below. Not all of the shares beneficially owned by Mr. Jacoby and certain of the persons and entities shown in the table above have been contributed to the Voting Trust and thus some shares beneficially owned by them are not reflected in the table above. Mr. Jacoby disclaims beneficial ownership of all shares he is deemed to own in his capacity as a trustee.

(5) Includes 750 shares owned by Mr. Goldman's wife's mother. Mr. Goldman disclaims beneficial ownership of these shares.

(6) Does not include 154,849 shares owned by Ms. Koep, who is married to Mr.

Schnopp, but does include 3,800 shares owned by a trust for the benefit of Mr. Schnopp's children. Mr. Schnopp disclaims beneficial ownership of all of these shares.

(7) Includes 1,750 shares owned by Mr. Godfrey's brother. Mr. Godfrey disclaims beneficial ownership of these shares.

(8) Does not include 250,035 shares owned by Mr. Schnopp, who is married to Ms. Koep. Ms. Koep is our Senior Vice President, Human Resources. Ms. Koep disclaims beneficial ownership of these shares.

(9) Consists of the following trusts, none of which owns greater than one percent:

<TABLE>
<CAPTION>

<S>	NUMBER OF SHARES OWNED PRIOR TO THE OFFERING <C>	NUMBER OF SHARES OFFERED HEREBY <C>	NUMBER OF SHARES OWNED AFTER THE OFFERING <C>
Grandchild's Trust One UID 12/16/85.....	39,203	9,800	29,403
Grandchild's Trust Two UID 12/16/85.....	39,203	9,800	29,403
Grandchild's Trust Three UID 12/89.....	39,203	9,800	29,403
Susan Stephens Campbell 1995 Trust UID 12/16/85.....	30,000	7,500	22,500
Craig D. Campbell, Jr. 1995 Trust UID 12/4/95.....	30,000	7,500	22,500
Elizabeth Chisum Campbell 1995 Trust UID 12/4/95.....	30,000	7,500	22,500
W R Stephens Jr. Children's Trust UID 3/1/95.....	30,000	7,500	22,500

</TABLE>

Jon E.M. Jacoby, a director of the Company, is a trustee of each of the Trusts other than the W. R. Stephens Jr. Children's Trust and is deemed to beneficially own the shares held by the Trusts. Mr. Jacoby disclaims beneficial ownership of all shares he is deemed to own in his capacity as a trustee.

UNDERWRITING

The underwriters named below, through their representatives, Stephens Inc., BancBoston Robertson Stephens Inc. and Thomas Weisel Partners LLC, have severally agreed to purchase from us and the selling stockholders the following respective number of shares of our common stock:

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES
<S>	<C>
Stephens Inc.....	
BancBoston Robertson Stephens Inc.....	
Thomas Weisel Partners LLC.....	
Total.....	

</TABLE>

The underwriters propose to offer the shares of our common stock directly to the public at the public offering price set forth on the cover page of this prospectus, and to certain dealers at that price less a concession not in excess of $___ per share. The underwriters may allow and such dealers may reallow a concession not in excess of $___ per share to certain other dealers. After the public offering of the shares, the underwriters may change the offering price and other selling terms. The representatives of the underwriters have advised us that the underwriters do not intend to confirm any shares to any accounts over which they exercise discretionary authority.

The underwriting agreement makes the obligations of the underwriters subject to conditions that we and the selling stockholders must satisfy, such as the receipt of certificates, opinions and letters from us, the selling stockholders, our counsel and our independent auditors. The underwriters are committed to purchase all shares of common stock offered in this prospectus (other than those covered by the over-allotment option described below) if any of those shares are purchased.

The offering of the shares is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

OVER-ALLOTMENT OPTION. We have granted the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase up to 975,000 additional shares of our common stock. To the extent that the underwriters exercise this option, each underwriter is committed to purchase a number of shares that reflects approximately the same percentage of total shares that such underwriter purchased in the above table. We will be obligated to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise their option only to cover over-allotments made in connection with the sale of common stock offered in this prospectus.

UNDERWRITING DISCOUNTS AND COMMISSIONS. The following table shows the per share and total underwriting discounts and commissions that we and the selling stockholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 975,000 additional shares.

<TABLE>
<CAPTION>

	PAID BY COMPANY		PAID BY SELLING STOCKHOLDERS
<S>	<C> NO EXERCISE	<C> FULL EXERCISE	<C>
Per share	$	$	$
Total	$	$	$

</TABLE>

INDEMNITY. We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect thereof.

LOCK-UP AGREEMENTS. Our executive officers and directors and the selling stockholders have agreed that they will not, without the underwriters' consent, sell or otherwise dispose of any shares of our common stock during the 90-day period following the effective date of the registration statement relating to this prospectus. This prohibition on sales also applies to options and other securities that may be exercised for or converted into our common stock. The underwriters have the discretion, at any time and without notice, to release the sale prohibitions in part or in whole.

PASSIVE MARKET MAKING. In general, the SEC's rules prohibit the underwriters from making a market in our common stock during the "cooling off" period immediately preceding the commencement of sales in the offering. The SEC has, however, adopted exemptions from these rules that permit passive market making. These exemptions allow an underwriter to continue to make a market subject to the conditions, among others, that its bid not exceed the highest bid by a market maker not connected with the offering and that its net purchases on any one trading day not exceed prescribed limits. Certain of the underwriters intend to rely on these exemptions to engage in passive market making in our common stock during the cooling off period.

STABILIZATION. The underwriters may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of our common stock at levels above those which might otherwise prevail in the open market. This may be done by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means placing a bid or making a purchase for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means placing a bid on behalf of the underwriting syndicate or making a purchase to reduce a short position created in connection with the offering. A penalty bid means an arrangement that permits the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in syndicate covering transactions. Such transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise. Such stabilizing, if commenced, may be discontinued at any time.

QUALIFIED INDEPENDENT UNDERWRITER. Under Rule 2720 of the National

Association of Securities Dealers, Inc., or NASD, Stephens Group's ownership of our common stock makes the Company an affiliate of Stephens Inc. Because of Stephens Group's ownership, the offering is being conducted in accordance with Rule 2720. Under Rule 2720, when a NASD member participates in the underwriting of an affiliate's equity securities, the initial public offering price can be no higher than that recommended by a "qualified independent underwriter" meeting certain standards, although this procedure need not be used if a bona fide independent market exists for the securities. In this offering, however, the underwriters have elected to use a qualified independent underwriter. BancBoston Robertson Stephens Inc. has served in the role of qualified independent underwriter for this offering and has recommended a price in compliance with the requirements of Rule 2720. BancBoston Robertson Stephens Inc. has performed due diligence investigations and reviewed and participated in the preparation of the prospectus and the related registration statement.

OTHER MATTERS. Stephens Inc., one of the representatives of the underwriters, has previously provided financial advisory services to us, including in connection with the Melcher and IPD acquisitions. We currently have engaged Stephens Inc. to advise us concerning other potential acquisitions, and Stephens Inc. may provide advisory or other investment banking services to us in the future.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners LLC, has been named as a lead or co-manager on 64 filed public offerings of equity securities, of which 33 have been completed, and has acted as a syndicate manager in an additional 32 public offerings of equity securities. Thomas Weisel Partners LLC does not have any material relationship with us or any of our officers, directors or controlling persons, except its contractual relationship with us under the underwriting agreement.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our Restated Certificate of Incorporation, or Certificate of Incorporation, and Amended and Restated Bylaws, or Bylaws.

Our Certificate of Incorporation authorizes us to issue 60 million shares of common stock and 30 million shares of preferred stock. As of August 31, 1999, we had 17,137,851 shares of common stock and no shares of preferred stock issued and outstanding. No other classes of capital stock are authorized under our Certificate of Incorporation. The issued and outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable.

COMMON STOCK

Each share of common stock is entitled to one vote on all matters submitted to a vote of the stockholders. Holders of common stock may receive dividends only when our Board of Directors declares them, but our credit agreement prohibits us from paying dividends without obtaining prior approval. In certain cases, common stockholders may not receive dividends until we have satisfied our obligations to any preferred stockholders. If we liquidate, dissolve or wind-up our business, either voluntarily or not, common stockholders will share equally in the assets remaining after we pay our creditors and any preferred stockholders. The common stock has no preemptive, conversion or other subscription rights, and all outstanding shares are fully paid and non-assessable.

PREFERRED STOCK

Our Board of Directors may issue shares of preferred stock at any time, in one or more series, without stockholder approval. The Board of Directors will determine the designation, relative rights, preferences and limitations of each series of preferred stock. If we issue preferred stock, it could delay a change in control of the Company and make it harder to remove present management. Under certain circumstances, preferred stock could also adversely affect the voting power of common stockholders.

POSSIBLE ANTI-TAKEOVER EFFECT OF CERTAIN CHARTER PROVISIONS

The Certificate of Incorporation has several provisions that may delay or deter changes in control or management of the Company. The Certificate of Incorporation establishes a classified Board and requires that any action

required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of stockholders and may not be effected by a consent in writing. In addition, the Certificate of Incorporation and Bylaws require that stockholders give advance notice to the Company's Secretary of any directorship nominations or other business to be brought by stockholders at any stockholders' meeting. The Certificate of Incorporation also requires the approval of 75% of the Company's voting stock to amend certain provisions of the Certificate of Incorporation. These provisions may have the effect of delaying changes in control or management of the Company, deterring hostile takeovers or deferring or preventing a tender offer or takeover attempt that a stockholder might consider to be in such stockholder's best interest, including those attempts that might result in a premium over the market price for the shares held by the stockholders.

CERTAIN PROVISIONS OF DELAWARE LAW

We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporations Law, or DGCL. In general, Section 203 prevents an "interested stockholder" (defined generally as a person owning 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" (as defined therein) with a Delaware corporation for three years following the date such person became an interested stockholder, unless (i) before such person became an interested

stockholder, the Board of Directors of the corporation approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination, (ii) upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares owned by persons who are both officers and directors of the corporation and shares held by certain employee stock ownership plans) or (iii) following the transaction in which such person became an interested stockholder, the business combination is approved by the Board of Directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by the interested stockholder.

LIMITATION OF LIABILITY AND INDEMNIFICATION AGREEMENTS

Our Certificate of Incorporation provides that to the fullest extent permitted by the DGCL, our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under the DGCL, liability of a director may not be limited (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The effect of the provisions of our Certificate of Incorporation is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior), except in the situations described in clauses (i) through (iv) above. This provision does not limit or eliminate the rights of the Company or any stockholder to seek nonmonetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care. In addition, our Certificate of Incorporation provides that the Company shall indemnify its directors, officers, employees and agents against losses incurred by any such person because such person was acting in such capacity.

We have entered into indemnification agreements, with each of the directors, executive officers and certain other officers of the Company pursuant to which we have agreed to indemnify such director or officer from claims, liabilities, damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by such director or officer in or arising out of his or her capacity as a director, officer, employee and/or agent of the Company or any other corporation of which such person is a director or officer at our request to the maximum extent provided by applicable law. In addition, such director or officer is entitled to an advance of expenses to the maximum extent authorized or permitted by law.

To the extent that the Board of Directors or the stockholders of the Company wish to limit or repeal our ability to provide indemnification as set forth in the Certificate of Incorporation, such repeal or limitation may not be effective as to directors and officers who are parties to the indemnification agreements, because their rights to full protection would be contractually assured by the indemnification agreements. It is anticipated that similar contracts may be entered into, from time to time, with future directors of the Company.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is American Stock Transfer & Trust Company.

LEGAL MATTERS

O'Melveny & Myers LLP, Los Angeles, California, will pass upon the validity of the common stock that we are offering. Wright, Lindsey & Jennings LLP, Little Rock, Arkansas will pass upon certain legal matters for the underwriters. Attorneys at O'Melveny & Myers LLP involved in this offering own 8,400 shares of the Company's common stock.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1998 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street, N.W., in Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain our SEC filings from the SEC's Website at "http://www.sec.gov."

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete, and, in each instance, we refer you to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. The information incorporated by reference is considered to be part of this prospectus. When we file information with the SEC in the future, that information will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934:

1. Annual Report on Form 10-K for the fiscal year ended December 27, 1998;

2. Quarterly Reports on Form 10-Q for the quarters ended March 28, 1999 and June 27, 1999;

3. Current Reports on Form 8-K and Form 8-K/A dated January 29, 1999; and

4. Current Reports on Form 8-K and Form 8-K/A dated August 31, 1998.

You may request a copy of these filings, at no cost, by writing or telephoning our transfer agent at the following address:

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10065
(212) 936-5100

[Picture of Various Power-One Products]

[LOGO]

PROSPECTUS

STEPHENS INC.
BANCBOSTON ROBERTSON STEPHENS
THOMAS WEISEL PARTNERS LLC

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, incurred by the Company in connection with the sale and distribution of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD fee.

<TABLE>
<CAPTION>

	AMOUNT TO BE PAID
<S>	<C>
SEC registration fee	$ 52,538
NASD fee	19,398
Listing fee on NASDAQ	17,500
Printing and engraving expenses	135,000
Legal fees and expenses	110,000
Accounting fees and expenses	90,000
Blue Sky qualification fees and expenses	2,500
Transfer Agent and Registrar fees	3,500
Miscellaneous fees and expenses	19,564
Total	$ 450,000

</TABLE>

The selling stockholders will bear the underwriting discounts and commissions attributable to the shares sold by them in this offering, as well as their pro rata portion of the SEC and NASD fees.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Certificate of Incorporation provides that to the fullest extent permitted by the DGCL, a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. Under the DGCL, liability of a director may not be limited (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The effect of the provisions of the Company's Certificate of Incorporation is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior), except in the situations described in clauses (i) through (iv) above. This provision does not limit or eliminate the rights of the Company or any stockholder to seek nonmonetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care. In addition, the Company's Certificate of Incorporation provides that the Company shall indemnify its directors, officers, employees and agents against losses incurred by any such person because such person was acting in such capacity.

The Company has entered into agreements (the "Indemnification Agreements") with each of the directors and officers of the Company pursuant to which the Company has agreed to indemnify such director or officer from claims, liabilities, damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by such director or officer in or arising out of such person's capacity as a director, officer, employee and/or agent of the Company or any other corporation of which such person is a director or officer at the request of the Company to the maximum extent provided by applicable law. In addition, such director or officer is entitled to an advance of expenses to the maximum extent authorized or permitted by law.

To the extent that the Board of Directors or the stockholders of the Company wish to limit or repeal the ability of the Company to provide indemnification as set forth in the Company's Certificate of Incorporation, such repeal or limitation may not be effective as to directors and officers who are parties to the Indemnification Agreements, because their rights to full protection would be contractually assured by the Indemnification Agreements. It is anticipated that similar contracts may be entered into, from time to time, with future directors of the Company.

The Form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the Underwriters of the Company and its directors and officers for certain liabilities arising under the Securities Act or otherwise.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

<TABLE>
<CAPTION>

NUMBER	DESCRIPTION
<C>	<S>
1.1	Form of Underwriting Agreement
5.1	Opinion of O'Melveny & Myers LLP
10.1	Second Amended and Restated Credit Agreement among Power-One, Inc., Certain Subsidiaries of Power-One, Inc., Certain Lenders and Bank of America, N.A., as Administrative Agent, and Union Bank of California, N.A., as Co-Agent
23.1	Independent Auditor's Consent
23.2	Consent of O'Melveny & Myers LLP (included in Exhibit 5.1)
24.1	Power of Attorney (see page S-1)

</TABLE>

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933 (the "Securities Act") each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel, the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to

Rule 424(b)(1) or (4) or Rule 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment to the Registration Statement on Form S-3 to be signed on its behalf by the

undersigned, thereunto duly authorized, in the City of Camarillo, State of California on the 10th day of September, 1999.

<TABLE>
<S> <C> <C>
POWER-ONE, INC.

By: /s/ STEVEN J. GOLDMAN
Steven J. Goldman
PRESIDENT AND CHIEF EXECUTIVE OFFICER
</TABLE>

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Steven J. Goldman and Eddie K. Schnopp, and each of them acting individually, as his attorney in fact and agent, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated

<TABLE>
<CAPTION>
SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ STEVEN J. GOLDMAN Steven J. Goldman	President, Chief Executive Officer and Chairman (Principal Executive Officer)	September 10, 1999
* Eddie K. Schnopp	Senior Vice President - Finance, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	September 10, 1999
* Jon E.M. Jacoby	Director	September 10, 1999
* Hanspeter Brandli	Director	September 10, 1999
</TABLE>

<TABLE>
<S> <C> <C> <C>
*By: /s/ STEVEN J. GOLDMAN
Steven J. Goldman
ATTORNEY-IN-FACT
</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>
NUMBER	DESCRIPTION
<C>	<S>

1.1	Form of Underwriting Agreement
5.1	Opinion of O'Melveny & Myers LLP
10.1	Second Amended and Restated Credit Agreement among Power-One, Inc., Certain Subsidiaries of Power-One, Inc., Certain Lenders and Bank of America, N.A., as Administrative Agent, and Union Bank of California, N.A., as Co-Agent
23.1	Independent Auditor's Consent
23.2	Consent of O'Melveny & Myers LLP (included in Exhibit 5.1)
24.1	Power of Attorney (see page S-1)

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POWER-ONE, INC.

6,500,000 SHARES*
COMMON STOCK

($0.001 PAR VALUE)

UNDERWRITING AGREEMENT

September ___, 1999

STEPHENS INC., BANCBOSTON ROBERTSON STEPHENS INC.
AND THOMAS WEISEL PARTNERS LLC
As Representatives of the several
Underwriters named in Schedule II hereto.
c/o Stephens Inc.
111 Center Street
Little Rock, Arkansas 72201

Gentlemen:

Power-One, Inc., a Delaware corporation (the "Company"), and the individuals whose names appear on Schedule I hereto, designated as selling stockholders (collectively, the "Selling Stockholders"), severally and not jointly, confirm their agreement with the several underwriters (the "Underwriters") for whom you are acting as representatives (the "Representatives") as follows:

The Company proposes to issue and sell 4,000,000 shares of its authorized and unissued shares of common stock, par value $0.001 per share, to the several Underwriters (the "Company Shares"), and the Selling Stockholders, acting severally and not jointly, propose to sell an aggregate of 2,500,000 shares of the authorized and outstanding shares of the Company's common stock, par value $0.001 per share, to the several Underwriters (the "Selling Stockholders Shares"). The Company Shares and the Selling Stockholders Shares are hereinafter collectively referred to as the "Underwritten Shares." The Company and the Selling Stockholders are sometimes referred to collectively herein as "Sellers." The respective amounts of Underwritten Shares to be initially sold by each of the Sellers is set forth on Schedule I attached hereto. The Company's common stock is more fully described in the Registration Statement and the Prospectus hereinafter mentioned.

For the sole purpose of covering over-allotments in connection with the sale of the Underwritten Shares, the Company shall grant to the Underwriters the option (the "Option") described in Section 2 hereof to purchase all or any part of an additional 975,000 shares of the Company's common stock (the "Option Shares"). The Underwritten Shares and the Option Shares purchased pursuant to this Underwriting Agreement (this "Agreement") are herein called the "Shares" and the proposed offering of the Shares by the Underwriters is hereinafter referred to as the "Public Offering."

The Company has filed with the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Act of 1933, as amended (the "Act"), and published rules and regulations adopted

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*Plus up to 975,000 additional shares of common stock to cover over-allotments.

by the Commission under the Act (the "Rules"), a registration statement on Form S-3 ("Form S-3") (File No. 333-84285), including a Preliminary Prospectus, relating to the Shares, and such amendments to such registration statement as may have been filed with the Commission to the date of this Agreement. The Company will also file with the Commission one of the following: (A) prior to effectiveness of such registration statement, a further amendment to such registration statement, including the form of final prospectus, and/or (B) after effectiveness of such registration statement, a final prospectus in accordance with Rules 430A and 424(b). The Company has furnished to the Representatives copies of such registration statement, each amendment to it filed by the Company with the Commission, and each Preliminary Prospectus filed by the Company with the Commission. The registration statement as amended at the time it becomes or became effective (the "Effective Date"), including financial statements and all exhibits and any information deemed to be included by Rule 430A, is called the "Registration Statement." The term "Preliminary Prospectus" means any Preliminary Prospectus (as referred to in Rule 430 or Rule 430A of the Rules) included at any time as a part of the registration statement and the term "Prospectus" means the prospectus relating to the Shares that is first filed pursuant to Rule 424(b) after the date hereof.

Any reference herein to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein on or before the Effective Date or the date of such Preliminary Prospectus or the Prospectus, as the case may be (the "Incorporated Documents"), and shall be deemed to refer to and include any documents incorporated by reference therein filed after the date of such Registration Statement, any Preliminary Prospectus or the Prospectus.

As the Representatives, you have advised the Company that (a) you are authorized to enter into this Agreement on behalf of the several Underwriters and (b) the Underwriters are willing, acting severally and not jointly, to purchase the amounts of the Underwritten Shares set forth opposite their respective names in Schedule II hereto, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment Option in whole or in part for the accounts of the several Underwriters.

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the Company, the Selling Stockholders and the Underwriters hereby agree as follows:

1. REPRESENTATIONS, WARRANTIES AND AGREEMENTS

(a) The Company represents and warrants to, and agrees with, each Underwriter as follows:

(i) The Company has been duly organized, is in compliance with its Certificate of Incorporation, and is validly existing as a corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus. Each significant subsidiary (as defined by the Act) of the Company (each a "Subsidiary" and collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation, in good standing under the laws of the jurisdiction of its organization, with full corporate power and authority to own or lease its properties, and conduct its business. The Company and the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business or the ownership or lease of their properties requires such qualifications except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect (as defined below). The Company owns all of the outstanding capital stock of its Subsidiaries free and clear of any pledge, lien, security interest, encumbrance, claim or equitable interest (except for (A) shares owned by others

and held in trust for the Company in accordance with the laws of the country of incorporation and (B) a pledge of 65% of the issued and outstanding capital stock of each of Power Electronics, Inc., Poder Uno de Mexico, S.A., de C.V. and Melcher Holding AG made by the Company in favor of Bank of America N.A., pursuant to that certain second Amended and Restated Credit Agreement among the Company, certain subsidiaries of the Company, certain lenders and Bank of America, N.A. as Administrative Agent and Union Bank of California, N.A. as Co-Agent).

(ii) The outstanding shares of common stock of the Company, including the Selling Stockholders Shares, have been duly and validly authorized and issued and are fully paid and non-assessable; the Shares are duly and validly authorized, and, if not now issued, when issued and paid for as contemplated herein, will be fully paid and non-assessable. There are no preemptive or other similar rights to subscribe for or to purchase, or any restriction upon the voting or transfer of the Shares pursuant to the Company's Certificate of Incorporation, bylaws, or other governing documents or any agreement or other instrument to which the Company or any of its Subsidiaries is a party or by which any of them may be bound. Neither the filing of the Registration Statement nor the offering of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of any class of the Company's capital stock. The Company Shares have been approved for listing on the Nasdaq National Market, subject to official notice of issuance.

(iii) The Shares conform in all material respects with the statements concerning them in the Prospectus. As of the Closing Date (as defined below) and any Option Closing Date (as defined below), if

applicable, the Company will have the authorized capital stock set forth under the caption "Description of Capital Stock" in the Prospectus. No further corporate approval or authority on behalf of the Company will be required for the issuance and sale of the Shares to be sold by the Company as contemplated herein.

(iv) Any Preliminary Prospectus, the Prospectus and the Registration Statement comply as to form with the requirements of the Act and the Rules, including Form S-3. The Company meets the requirements of, and is entitled to use, Form S-3 for the Public Offering.

(v) Neither the Commission nor any other agency, body, authority, court or arbitrator of competent jurisdiction has, by order or otherwise, prohibited or suspended the use of any Preliminary Prospectus or the Prospectus relating to the proposed offering of the Shares or, to the Company's knowledge, instituted proceedings for that purpose. The Registration Statement, the Prospectus and any amendments or supplements thereto at the time they became or become effective or were filed or are filed with the Commission contained or will contain all statements which are required to be stated therein by, and in all material respects conformed or will conform to the requirements of, the Act and the Rules. Neither the Registration Statement nor any any amendment thereto, and neither the Prospectus nor any supplement thereto, as of its date and while effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that the Company does not make any representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or

on behalf of any Underwriter through the Representatives, expressly for use in the preparation thereof as hereinafter set forth in Section 14.

(vi) The documents which are incorporated by reference in the Registration Statement, any Preliminary Prospectus or the Prospectus or from which information is so incorporated by reference, when they were filed (or, if any amendment with respect to such document was filed, when such amendment was filed) with the Commission complied in all material respects with the requirements of the Exchange Act, and the rules and regulations thereunder and any documents so filed and incorporated by reference subsequent to the Effective Date shall, when they are so filed with the Commission, conform in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder.

(vii) The consolidated financial statements of the Company and the Subsidiaries, together with related notes and schedules, as set

forth or incorporated by reference in the Registration Statement, present fairly the consolidated financial condition and the results of operations of the Company and the Subsidiaries, at the indicated dates and for the indicated periods. Such financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"), consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial information and the selected financial data included in the Prospectus present fairly in accordance with GAAP (other than the "EBITDA," "EBITDA margin" and "backlog" information) the information shown therein and have been compiled on a basis consistent with that of the audited and unaudited financial statements from which they were derived.

(viii) Except as is disclosed in the Prospectus, there is no action or proceeding pending or, to the knowledge of the Company, threatened against the Company, any of its Subsidiaries or any of their respective officers or any of their properties, assets or rights before any court or administrative or governmental agency or other body which reasonably would be expected to (A) result in any material adverse change in the financial condition, or in the earnings, business, affairs, properties, business prospects or results of operations of the Company and its Subsidiaries taken as a whole ("Material Adverse Change" or "Material Adverse Effect," as the case may be), whether or not arising in the ordinary course of business, (B) adversely affect the performance of this Agreement or the consummation of the transactions herein contemplated, except as disclosed in the Prospectus and for which the Company maintains a reserve in an amount which it believes is adequate to cover potential liabilities, or (C) be required to be disclosed in the Registration Statement.

(ix) The Company and each of its Subsidiaries are not in violation of any law, ordinance, governmental rule or regulation or court decree to which they may be subject which violation reasonably would be expected to have a Material Adverse Effect.

(x) The Company and its Subsidiaries have (A) to the best of the Company's knowledge, good and marketable title to all of the real properties and (B) valid title to all other assets reflected in the consolidated financial statements hereinabove described or as described in the Prospectus as being owned by them, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those securing indebtedness described in such financial statements or as described in the Prospectus or which do not materially affect the present or proposed use of such properties or assets or would not cause a Material Adverse

Effect. The Company and its Subsidiaries occupy their leased properties under valid, subsisting and binding leases with only such exceptions as in the aggregate are not material and do not interfere with the conduct of the business of the Company and its

Subsidiaries. There exists no default by the Company, or to the Company's knowledge, of any other party, under the provisions of any lease, contract or other obligation to which the Company is a party which may result in a Material Adverse Change.

(xi) The Company and its Subsidiaries have filed all federal, state and other tax returns and reports which have been required to be filed and have paid all taxes indicated by said returns and all assessments received by them to the extent that such taxes have become due and there is no tax deficiency that has been or, to the Company's knowledge, might be asserted against the Company or any of its Subsidiaries that might have a Material Adverse Effect. All material tax liabilities are adequately provided for on the books of the Company and its Subsidiaries.

(xii) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, as they may be amended or supplemented, and except as set forth in the Registration Statement, (A) there has not been any Material Adverse Change nor, to the knowledge of the Company, is any such change threatened, (B) there has not been any transaction entered into by the Company or its Subsidiaries that is material to the earnings, business, affairs, properties, business prospects or operations of the Company and its Subsidiaries taken as a whole, other than transactions in the ordinary course of business and changes and transactions contemplated by the Registration Statement and the Prospectus, as they may be amended or supplemented, (C) other than changes in the amounts outstanding under the Company's and its Subsidiaries' revolving credit facilities, there has not been any material change in the capital stock, long term debt or material liabilities of the Company or its Subsidiaries, and (D) there has not been any dividend or distribution of any kind declared, paid or made on the capital stock of the Company. Neither the Company nor any Subsidiary has any contingent obligations or liabilities which are required to be but are not disclosed in the Registration Statement and the Prospectus.

(xiii) The filing of the Registration Statement and related Prospectus and the execution and delivery of this Agreement have been duly authorized by the Board of Directors of the Company; this Agreement constitutes a valid and binding obligation of the Company enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally and by general principles of equity and federal and state securities laws. Neither the Company nor any of its Subsidiaries is in breach or violation of or default under any indenture, mortgage, deed of trust, lease, contract, note or other agreement or instrument to which it is a party or by which it or any of its properties is bound and which breach, violation or default would reasonably be expected to have a Material Adverse Effect. The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach or violation of any of the material terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust, lease, contract, note or other agreement or instrument to which the Company or any Subsidiary is a party, or of

the Company's or any Subsidiary's Certificate of Incorporation or bylaws or any law, decree, order, rule, writ, injunction or regulation applicable to the Company or any Subsidiary of a court or of any regulatory body or administrative agency or other governmental body having jurisdiction over the Company

and its Subsidiaries except for such breaches, violations or defaults as would not reasonably be expected to have a Material Adverse Effect.

(xiv) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and performance of its obligations hereunder (except such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under state securities or Blue Sky laws, and filing the Prospectus under Rule 424(b)) has been obtained or made and is in full force and effect.

(xv) The Company and each Subsidiary hold all material licenses, authorizations, charters, certificates and permits from governmental authorities which are necessary to the conduct of their businesses, except where the failure to hold any such licenses, authorizations, charters, certificates or permits would not reasonably be expected to result in a Material Adverse Effect, and neither the Company nor any Subsidiary has received notice of any proceeding relating to the revocation or modification of any of such licenses, authorizations, charters, certificates or permits. The Company and its Subsidiaries own or otherwise possess rights to the patents, patent rights, licenses, inventions, copyrights, trademarks, service marks and trade names presently employed by them in connection with the businesses now operated by them as described in the Prospectus, and neither the Company nor any of its Subsidiaries has infringed or received any notice of infringements of or conflict with asserted rights of others with respect to any of the foregoing, except where such infringement or conflict would not reasonably be expected to result in a Material Adverse Effect.

(xvi) Deloitte & Touche LLP, independent auditors, who have certified certain of the financial statements filed with the Commission and incorporated by reference in the Registration Statement and Prospectus, are independent public accountants within the meaning of the Act, the Rules and Regulation S-X of the Commission and Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

(xvii) There are no agreements, contracts or other documents of a character required to be described in the Registration Statement or the Prospectus or required by Form S-3 to be filed as exhibits to the Registration Statement or incorporated by reference in the

Registration Statement which are not described, filed or incorporated as required.

(xviii) No labor dispute is pending or, to the knowledge of the Company, threatened by the Company's or any Subsidiary's employees which could result in a Material Adverse Effect. No collective bargaining agreement exists with any of the Company's employees and, to the Company's knowledge, no agreement is imminent.

(xix) Except as contemplated by Section 2 hereof and as disclosed in the Prospectus and permitted by the Rules, the Company has not (itself or through any person) taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to, cause or result in a violation of Section 5 of the Act or Regulation M under the Act or in stabilization or manipulation of the price of the Company's common stock.

(xx) Without limiting the generality of any of the foregoing representations and warranties and except to the extent no Material Adverse Effect would reasonably be

expected to occur, (a) none of the operations of the Company or its Subsidiaries is in violation of any material environmental law, regulation or any permit; (b) neither the Company nor any of its Subsidiaries has been notified that it is under investigation or under review by any governmental agency with respect to compliance therewith or with respect to the generation, use, treatment, storage or release of hazardous material; (c) neither the Company nor any of its Subsidiaries have any material liability in connection with the past generation, use, treatment, storage, disposal or release of any hazardous material; (d) there is no hazardous material that may reasonably be expected to pose any material risk to safety, health, or the environment, on, under or about any property owned, leased or operated by the Company or any of its Subsidiaries or, to the knowledge of the Company, any property adjacent to any such property; and (e) there has heretofore been no release of any hazardous material on, under or about such property, or, to the knowledge of the Company, any such adjacent property. None of the present or, to the knowledge of the Company, past property of the Company or any of its Subsidiaries is listed or proposed for listing on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), or on the Comprehensive Environmental Response Compensation Liability Information System List ("CERCLIS") or any similar state list of sites requiring remedial action. Neither the Company nor any of its Subsidiaries is subject to any state Environmental Property Transfer Act, or to the extent that any such statute is applicable to any property, the Company and its Subsidiaries have fully complied with their obligations under such statute(s), and neither has any outstanding obligations or liabilities under any state

Environmental Property Transfer Act.

(xxi) The Company and its Subsidiaries maintain insurance of the types and in the amounts customary for their businesses, including, but not limited to, insurance covering liability and real and personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.

(xxii) Neither the Company nor any Subsidiary has at any time during the last five years (a) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (b) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof.

(xxiii) Each executive officer or director of the Company who is not a Selling Stockholder has executed a lock-up agreement, a form of which is attached hereto as Exhibit "A" (the "Lock-Up Agreement").

(b) Each Selling Stockholder, severally and not jointly, represents and warrants as follows:

(i) Such Selling Stockholder has duly executed and delivered a power of attorney (individually, a "Power of Attorney" and with all other powers of attorney, collectively the "Powers of Attorney"), in the form heretofore delivered to the Representatives, appointing the person named therein as such Selling Stockholder's attorney-in-fact (the "Attorney-in-Fact") with authority to perform this Agreement on behalf of such Selling Stockholder. Certificates in negotiable form for the Shares to be sold by such Selling Stockholder hereunder have been delivered to the Company's transfer

agent for the purpose of delivery pursuant to this Agreement. All authorizations, orders and consents necessary for the execution and delivery by such Selling Stockholder of this Agreement and the Power of Attorney have been duly and validly given, and such Selling Stockholder has full legal right, power and authority to enter into this Agreement and the Power of Attorney and to sell, assign, transfer and deliver to the several Underwriters the Shares to be sold by such Selling Stockholder hereunder. Such Selling Stockholder agrees that the Shares to be sold by such Selling Stockholder that are represented by the certificates delivered to the transfer agent are for the benefit of, coupled with and subject to the interests of the Underwriters hereunder, that the arrangements made for the appointment of the Attorney-in-Fact are to that extent irrevocable, and that the obligations of such Selling Stockholder hereunder shall not be terminated except as provided in this Agreement or the Power of Attorney, by any act of

such Selling Stockholder, by operation of law or otherwise, whether by death or incapacity or by the occurrence of any other event. If such Selling Stockholder should die or become incapacitated or if any other event shall occur before delivery of Shares to be sold by such Selling Stockholder hereunder, the certificates for such Shares delivered to the transfer agent shall be delivered by the transfer agent in accordance with this Agreement as if such death, incapacity or other event had not occurred, regardless of whether the transfer agent or the Attorney-in-Fact shall have received notice thereof.

(ii) Such Selling Stockholder will have at the Closing (as such date is hereinafter defined) good and valid title to the portion of the Shares to be sold by such Selling Stockholder, free of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of such Shares; and upon the delivery of and payment for such Shares pursuant to this Agreement, good and valid title thereto, free of any liens, encumbrances, equities and claims, will be transferred to the several Underwriters.

(iii) The consummation by such Selling Stockholder of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which such Selling Stockholder is a party, or of any order, rule or regulation applicable to such Selling Stockholder of any court, or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(iv) Such Selling Stockholder has not taken and will not take for a period of 180 days following the date hereof, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in stabilization or manipulation of the price of the common stock of the Company; PROVIDED, HOWEVER, that activities undertaken by Stephens Inc. in its capacity as a Representative of the Underwriters or as a broker-dealer shall not be considered direct or indirect actions of any Selling Stockholder.

(v) Such Selling Stockholder has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Shares other than the Preliminary Prospectus and the Prospectus or other material permitted by the Act.

(vi) All information furnished to the Company by such Selling Stockholder or on such Selling Stockholder's behalf for use in connection with the preparation of the Registration Statement and Prospectus (including, without limiting the foregoing, all

representations and warranties of such Selling Stockholder in such Selling Stockholder's Power of Attorney), is true and correct and does

not omit to state any material fact necessary to be stated therein in order to make such information not misleading.

(vii) Such Selling Stockholder has no reason to believe that the representations and warranties of the Company contained in this Section 1 are not true and correct, is familiar with the Registration Statement and has no knowledge of any material fact, condition or information not disclosed in the Prospectus which has adversely affected or may adversely affect the business of the Company or the Subsidiaries, and the sale of the portion of the Shares to by sold by such Selling Stockholder pursuant hereto is not prompted by any information concerning the Company or the Subsidiaries which is not set forth in the Prospectus.

(c) Any certificate signed by any officer of the Company and delivered to you or counsel for the Underwriters shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

2. PURCHASE, SALE AND DELIVERY OF THE UNDERWRITTEN SHARES. On the basis of the representations, warranties and covenants herein contained, and subject to the terms and conditions herein set forth, the Company and the Selling Stockholders, severally and not jointly, agree to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase, at a price of $_____ per share, the respective number of the Underwritten Shares set forth opposite the name of the Company and each Selling Stockholder on Schedule II attached hereto. The obligation of each Underwriter to the Company and to each Selling Stockholder shall be to purchase from the Company or such Selling Stockholder that number of Company Shares or Selling Stockholders Shares, as the case may be, which (as nearly as practicable, as determined by you) is in the same proportion to the number of Company Shares or Selling Stockholders Shares, as the case may be, set forth opposite the name of the Company or such Selling Stockholder in Schedule I hereto as the number of Underwritten Shares which is set forth opposite the name of such Underwriter in Schedule II hereto (subject to adjustment as provided as provided in Section 11 hereof) is to the total number of Underwritten Shares to be purchased by all of the Underwriters under this Agreement.

Payment for the Underwritten Shares shall be made by wire transfer of immediately available U.S. Funds to designated accounts, to the order of the Sellers, against delivery of certificates for the Shares to the Representatives for the accounts of the several Underwriters. Delivery of certificates shall be to the Representatives c/o Stephens Inc. ("Stephens"), 111 Center Street, Little Rock, Arkansas 72201, or at such other address as Stephens may designate in writing. Payment will be made at the offices of Stephens, or at such other place as shall be agreed upon by Stephens and the Sellers, at approximately 9:00 a.m., central time, on _____, 1999, such time and date being herein referred to as the "Closing Date." The certificates for the Underwritten Shares will be delivered in such denominations and in such registrations as Stephens reasonably requests in writing and will be made available for inspection at such locations as Stephens may reasonably request at least one full business day prior to the Closing Date.

In addition, on the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein

set forth, the Company hereby grants the Option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. The Option may be exercised in whole or in part on one occasion upon written notice (or oral notice, subsequently confirmed in writing) given not more than thirty (30) days following the date of this Agreement, by Stephens, on behalf of the Representatives of the several Underwriters, to the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the

Option and the names and denominations in which the Option Shares are to be registered. Closing on the purchase of the Option Shares (the "Option Closing Date"), if any, shall occur no later than three (3) business days following the date upon which notice of exercise of the Option is given to the Company, and shall take place at the offices of Stephens, or at such other place as shall be agreed upon by Stephens and the Company. Subject to Section 11, the number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of shares of the common stock being purchased by such Underwriter bears to 6,500,000 shares, adjusted by you in such manner as to avoid fractional shares. The Option may be exercised only to cover over-allotments in the sale of the Underwritten Shares by the Underwriters. Stephens, on behalf of the Representatives of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice (or oral notice, subsequently confirmed in writing) of such cancellation to the Company. To the extent, if any, that the Option is exercised, payment for the Option Shares shall be made by wire transfer of immediately available U.S. Funds to a designated account of the Company, to the order of the Company. Certificates for the Option Shares shall be delivered in the same manner and upon the same terms as the Underwritten Shares.

3. QUALIFIED INDEPENDENT UNDERWRITER. The Company hereby confirms its engagement of BancBoston Robertson Stephens Inc. ("BRS"), and BRS hereby confirms its agreement with the Company, to render services as a "qualified independent underwriter" within the meaning of Section b(15) of Rule 2720 of the National Association of Securities Dealers, Inc. (the "NASD") with respect to the offering and sale of the Shares. BRS, in its capacity as qualified independent underwriter and not otherwise, is referred to herein as the "QIU."

4. OFFERING BY THE UNDERWRITERS. It is understood that the Public Offering of the Underwritten Shares is to be made as soon as the Representatives deem it advisable to do so after the Registration Statement has become effective. The Underwritten Shares are to be initially offered to the public at the public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares, in accordance with an Agreement Among Underwriters which has been entered into by you and the several

other Underwriters.

5. COVENANTS OF THE COMPANY AND THE SELLING STOCKHOLDERS. The Company covenants and agrees, and the Selling Stockholders covenant and agree, each for himself and with respect only to paragraphs (j) and (l), with each of the several Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement to become effective and will not, either before or after effectiveness, file any amendment thereto or supplement to the Prospectus (including a prospectus filed pursuant to Rule 424(b) which differs from the Prospectus on file at the time the Registration Statement becomes effective) or file any documents under the Exchange Act before the earlier to occur of (A) the 35th day following the Effective Date or (B) the closing date of the Underwriters' purchase of the Option Shares if such document would be deemed to be incorporated by reference into the Registration Statement, the Preliminary Prospectus or the Prospectus of which the Representatives shall not previously have been advised and furnished with a copy or to which the Representatives shall have reasonably objected in writing or which is not in compliance with the Act or Rules or the Exchange Act or the rules and regulations thereunder.

(b) The Company will advise the Representatives promptly of any request of the Commission or other securities regulatory agency ("Other Securities Regulator") for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, or of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose, or comparable action taken or initiated by any Other Securities Regulator, and the Company will use its reasonable efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(c) The Company will use its reasonable efforts with the Representatives in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions (including foreign jurisdictions) as the Representatives may reasonably designate, and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose; PROVIDED, HOWEVER, the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(d) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary

Prospectus or the Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives, on the Effective Date and thereafter from time to time during the period necessary to effect the distribution of the Shares as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to each of the Representatives at or before the Closing Date, one (1) manually signed copy of the Registration Statement and all amendments thereto including all exhibits filed therewith and will deliver to the Representatives such number of copies of the Registration Statement, but without exhibits, and of all amendments thereto, as the Representatives may reasonably request.

(e) During the time necessary to effect the distribution of the Shares, the Company shall comply with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules, as from time to time in force, so far as is necessary to permit the continuance of sales of or dealings in the Shares as contemplated by the provisions hereof and the Prospectus. If, during the period necessary to effect the distribution of the Shares, any event shall occur as a result of which, in the judgment of the Company or in the opinion of counsel for the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law or to file under the Exchange Act any document which would be deemed to be incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, the Company promptly will notify the Representatives and, subject to the Representatives' prior review, prepare and file with the Commission and any appropriate Other Securities Regulator an appropriate amendment or supplement to the Prospectus or file such document (at the expense of the Company) so that the Prospectus as so amended or supplemented will not, in light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(f) The Company will make generally available to its security holders in the manner contemplated by Rule 158(b) under the Act, as soon as it is practicable to do so, but in any event not

later than the 90th day after the end of the fiscal quarter first occurring one year after the Effective Date, an earnings statement in reasonable detail, covering a period of at least twelve consecutive months beginning after the Effective Date, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and will advise you in writing when such statement has been so made available.

(g) For a period of three years from the date of this Agreement, the Company will furnish to the Representatives (a) concurrently with furnishing of such reports to its stockholders, statements of income of the Company for each quarter in the form furnished to the Company's

stockholders; (b) concurrently with furnishing to its stockholders, a balance sheet of the Company as at the end of such fiscal year, together with statements of earnings, stockholders' equity and cash flow of the Company for such fiscal year, all in reasonable detail and accompanied by a copy of the certificate or report thereon of independent public accountants; (c) as soon as they are available, copies of all reports (financial or other) mailed to stockholders; (d) as soon as they are available, copies of all reports and financial statements furnished to or filed with the Commission; (e) every press release which was released or prepared by the Company; and (f) any additional information of a public nature concerning the Company or its business which you may reasonably request. During such period, if the Company shall have active subsidiaries the foregoing financial statements shall be on a consolidated basis to the extent that the accounts of the Company and its subsidiaries are consolidated, and shall be accompanied by similar financial statements for any significant subsidiary (as defined by the Act) which is not so consolidated.

(h) Promptly after the Company is advised thereof, it will advise the Representatives, and confirm in writing, that the Registration Statement and any amendments shall have become effective.

(i) The Company will use the net proceeds from the sale of the Shares substantially in the manner set forth in the Prospectus under the caption "Use of Proceeds."

(j) Other than as permitted by the Act and the Rules, the Company and the Selling Stockholders will not distribute any prospectus or offering materials in connection with the offering and sale of the Shares and prior to the Closing Date or, if applicable, the Option Closing Date will not issue any press releases or other communications directly or indirectly and will hold no press conferences with respect to the Company, the financial condition, results of operations, business, properties, assets or liabilities of the Company, or the offering of the Shares, without the prior written consent of the Representatives.

(k) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for its common stock and will use its best efforts to maintain the listing of the Shares on the Nasdaq National Market.

(l) Except pursuant to the exercise of stock options existing prior to the execution of this Agreement or as contemplated hereby or by the Prospectus, the Company and the Selling Stockholders will not, for a period of ninety (90) days after the Effective Date of the Registration Statement, offer to sell, contract to sell, sell or otherwise dispose of any shares of the Company's common stock or securities convertible into shares of the Company's common stock without the prior written consent of BRS, which consent will not be unreasonably withheld.

The foregoing covenants and agreements shall apply to any successor of the Company, including without limitation, any entity into which the Company might consolidate or merge.

6. COSTS AND EXPENSES. Whether or not the Registration Statement becomes effective, the Company and the Selling Stockholders will pay all costs, expenses and fees incident to the performance of the obligations of the Company and the Selling Stockholders under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; the cost of printing and delivering to Underwriters copies of the Registration Statement, any Preliminary Prospectus, the Prospectus, this Agreement, the Agreement Among Underwriters, the Selected Dealer Agreement, Underwriters' Questionnaire and Power of Attorney, and the Blue Sky Survey and any supplements thereto; the filing fees of the Commission; the filing fees incident to securing any required review by the NASD of the terms of the sale of the Shares on behalf of, and any disbursements made by, the Representatives or BRS in its capacity as a "qualified independent underwriter;" any applicable listing fees; the cost of printing certificates representing the Shares; and the cost and charges of any transfer agent or registrar. Any transfer taxes imposed on the sale of the Shares to the Underwriters will be paid by the Company or the Selling Stockholders, as appropriate. Neither the Company nor the Selling Stockholders shall, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under State securities or Blue Sky laws) except that, if the Public Offering shall not be consummated because the conditions in Section 8 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 7 hereof, or by reason of any failure, refusal or inability on the part of the Company to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on their part to be performed, unless such failure to satisfy said condition or to comply with said terms is due to the default or omission of any Underwriter, then the Company shall reimburse the several Underwriters for all costs and expenses, including attorney fees and out-of-pocket expenses, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder, but the Company shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares. The Company and the Selling Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such costs for which they each shall be responsible.

7. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS. The obligations of the several Underwriters to purchase and pay for the Shares as provided herein, are subject to the accuracy, as of the Closing Date and as of the Option Closing Date, of the representations and warranties and agreements of the Company and the Selling Stockholders contained herein and to the performance by the Company and the Selling Stockholders of their obligations hereunder and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 10:00 a.m., central time, on the day immediately following the date of this Agreement, unless a later time and date is agreed to by the Representatives, and no stop order or other order suspending the effectiveness thereof or the qualification of the Shares under the State securities or Blue Sky laws of any jurisdiction shall have been issued and no proceeding for that purpose shall have been taken or, to the

knowledge of the Company or the Selling Stockholders, shall be contemplated or threatened by the Commission or any Other Securities Regulator. If the Company has elected to rely upon Rule 430A of the Rules, the price of the Shares and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the Act within the prescribed time period, and prior to the Closing Date the Company shall have provided evidence satisfactory to the Representatives of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A under the Act. All requests for additional information on the part of the Commission or any other government or regulatory authority with jurisdiction (to be included in the Registration

Statement or Prospectus or otherwise) shall be complied with to the satisfaction of the Commission or such authorities.

(b) The Representatives shall have received on the Closing Date and on the Option Closing Date the opinion of O'Melveny & Myers LLP, counsel for the Company and the Selling Stockholders who are executive officers of the Company (the "Officer Selling Stockholders"), with respect to the Company and such Selling Stockholders as to the matters set forth below in subparagraphs (i) through (x), and opinions of Massachusetts, Puerto Rico, Mexico and Switzerland counsel to the Company with respect to the Subsidiaries, as to matters set forth below in subparagraphs (i) and (vi), each dated the Closing Date and, if applicable, the Option Closing Date, addressed to the Underwriters in form and substance satisfactory to Wright, Lindsey & Jennings LLP, counsel to the Underwriters, to the effect that:

(i) The Company and the Subsidiaries have been duly organized and are validly existing in good standing under the laws of the state(s) or similar foreign jurisdictions (with respect to the Subsidiaries) of their organization with corporate power to own their properties and conduct their business as described in the Registration Statement and Prospectus; and to such counsel's knowledge, except as set forth in the Prospectus and the Registration Statement, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock of the Company are outstanding.

(ii) The Company has authorized capital stock as set forth under the caption "Description of Capital Stock" in the Registration Statement and Prospectus, except for issuances subsequent to the date of the Prospectus, if any, pursuant to reservations, commitments, employee benefit plans, or other existing agreements; all of the Shares conform to the description thereof contained in the Prospectus; the Company Shares and the Option Shares, if any, have been duly authorized by all necessary corporate action on the part of the Company and, upon payment for and delivery of the Shares in accordance with this Agreement and the countersigning of the certificates

representing the Shares by a duly authorized signatory, the Shares will be validly issued, fully paid and non-assessable; holders of the capital stock of the Company are not entitled to any preemptive right to subscribe to any additional shares of the Company's capital stock under the Company's Certificate of Incorporation or bylaws, or, to such counsel's knowledge, any agreement or other instrument filed as an exhibit to the Registration Statement.

(iii) The Registration Statement has been declared effective under the Act and to such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued or threatened by the Commission.

(iv) The Registration Statement and each amendment or supplement thereto on the dates they were filed appeared on their face to comply as to form in all material respects with the requirements as to form for registration statements on Form S-3 under the Act and the Rules, except that such counsel need express no opinion as to the information supplied by the Underwriters or the financial statements, schedules and other financial or statistical information included or incorporated by reference therein. The Incorporated Documents, on the respective dates they were filed, appeared on their face to comply in all material respects with the requirements as to form for reports on Form 10-K, Form 10-Q and Form 8-K, as the case may be, under the Exchange Act and the rules and regulations thereunder in effect at the respective dates of their filing, except that such counsel need

express no opinion as to the financial statements, schedules and other financial or statistical information included or incorporated by reference therein.

(v) Except as set forth in the Registration Statement and the Prospectus, to such counsel's knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities being registered pursuant to a registration statement filed by the Company under the Act.

(vi) To such counsel's knowledge, the Company's execution and delivery of, and performance of its obligations under, this Agreement do not (A) violate the Company's and its Subsidiaries' respective charter or bylaws, or (B) breach or otherwise violate any existing obligation of or restriction on the Company or its Subsidiaries under any order, judgment or decree of any federal or Delaware court or government authority binding on the Company or its Subsidiaries that such counsel has, in the exercise of customary professional diligence, recognized as applicable to the Company or its Subsidiaries or to transactions of the type contemplated by this Agreement, except that

such counsel need not express an opinion regarding any federal securities laws or Blue Sky or state securities laws. The execution and delivery by the Company of, and performance of its obligations under, this Agreement, do not violate any Delaware or federal statute or regulation that such counsel has, in the exercise of customary professional diligence, recognized as applicable to the Company or its Subsidiaries or to transactions of the type contemplated by this Agreement, except that such counsel need not express an opinion regarding any federal securities laws or Blue Sky or state securities laws.

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

(viii) No approval, consent, order or permit of Delaware or any U.S. Federal governmental authority is required on the part of the Company for the execution and delivery of this Agreement or for the issuance and sale of the Shares by the Company herein contemplated (other than required by NASD regulation or state securities and Blue Sky laws, as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(ix) This Agreement has been duly executed and delivered on behalf of each of the Officer Selling Stockholders.

(x) Upon the delivery of and payment for the Officer Selling Stockholders Shares as contemplated in this Agreement, each of the Underwriters will receive such Shares purchased by it from such Selling Stockholder, free and clear of any adverse claim. In rendering such opinion, such counsel may assume that the Underwriters are acquiring such Shares in good faith, without notice of any adverse claim.

In addition to the matters set forth above, such counsel shall also include a statement to the effect that such counsel has participated in the preparation of the Registration Statement and the Prospectus and, based on such participation, no facts have come to the attention of such counsel which appeared on their face to cause such counsel to believe that any part of the Registration Statement or any amendment thereto (other than the financial statements and other financial and

statistical data contained therein, as to which such counsel may express no belief), as of its effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any amendment or supplement thereto (other than the financial statements and other financial data contained therein, as to which such counsel may express no belief), contains any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Such counsel

does not know of any legal or governmental proceedings required to be described in the Registration Statement or the Prospectus which are not described as required or of any contracts or documents of a character required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required; it being understood that such counsel need express no opinion as to the financial statements or other financial data contained in the Registration Statement or the Prospectus. Such counsel may state that its opinion is limited to the applicable law of the United States of America, the Delaware General Corporation Law and the general corporate law of jurisdictions under which the Subsidiaries are organized, and that such counsel renders no opinion with respect to the law of any other jurisdiction. Such opinion may state further that whenever such opinion is based on factual matters to such counsel's knowledge or known to such counsel, such counsel has relied exclusively on certificates of officers (after discussion of the contents thereof with such officers) of the Company or certificates of others as to the existence or nonexistence of factual matters on which such opinion is predicated but has no reason to believe that any such certificate is untrue or inaccurate in any material respect.

Such opinion shall contain only those qualifications as Wright, Lindsey & Jennings LLP, counsel to the Underwriters, may reasonably request or allow.

(c) The Representatives shall have received from Wright, Lindsey & Jennings LLP, counsel to the Underwriters, an opinion dated the Closing Date, substantially to the effects specified in subparagraph (iii) and (iv) of paragraph (b) of this Section 7, and that the Company is a validly organized and existing corporation under the laws of the State of Delaware. In rendering such opinion, Wright, Lindsey & Jennings LLP may rely as to all matters governed other than by Federal law on the opinions of counsel referred to in paragraph (b) of this Section 7. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that the Registration Statement or any amendment thereto at the time the Registration Statement or amendment became effective or the Preliminary Prospectus or the Prospectus or any amendment or supplement thereto as of their respective dates contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading (except that such counsel need express no view as to financial statements, schedules and other financial or statistical information included therein).

(d) The Representatives shall have received at or prior to the Closing Date from Wright, Lindsey & Jennings LLP a memorandum or summary, in form and substance satisfactory to the Representatives, with respect to the qualification or exemption therefrom for offering and sale by the Underwriters of the Shares under the State securities or Blue Sky laws of such jurisdictions as the Representatives may reasonably have designated.

(e) The Representatives shall have received on the Closing Date and on the Option Closing Date, as the case may be, signed letters from Deloitte & Touche LLP, addressed to the Underwriters dated as of the Effective Date and again dated as of the Closing Date and as of the Option

Closing Date, as the case may be, with respect to the financial statements and certain

financial and statistical information contained in the Registration Statement and the Prospectus. All such letters shall be in form and substance satisfactory to the Representatives and Wright, Lindsey & Jennings LLP, counsel to the Underwriters.

(f) The Representatives shall have received on the Closing Date and on the Option Closing Date, as the case may be, a certificate or certificates of the Company, executed by the President & Chief Executive Officer and Senior Vice President and Chief Financial Officer of the Company to the effect that, on and as of the Closing Date and on and as of the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) (A) the representations and warranties of the Company in this Agreement are true and correct on and as of the Closing Date and on and as of the Option Closing Date, as the case may be, and (B) the Company has complied with all of its agreements and covenants and has satisfied all of the conditions on its part to be performed or satisfied at or prior to the Closing Date and at or prior to the Option Closing Date, as the case may be.

(ii) They have carefully examined the Registration Statement and the Prospectus and, in their opinion, such Registration Statement and Prospectus did not omit to state a material fact necessary in order to make the statements therein not misleading.

(g) The Company shall have furnished to the Representatives evidence of the due qualification of the Company and the Subsidiaries to transact business in all jurisdictions in which the conduct of their business or ownership or lease of their properties requires such qualifications, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

(h) Since the respective dates as of which information is given in the Prospectus, there shall not have been any Material Adverse Change.

(i) The Company Shares shall have been approved for listing on the Nasdaq National Market, subject to official notice of issuance.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representatives and Wright, Lindsey & Jennings LLP, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 7 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company of such termination in writing or by confirmed telefax at or prior to the Closing Date. In such event, the Company,

the Selling Stockholders and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 6, and 9 hereof).

8. CONDITIONS OF THE OBLIGATIONS OF THE SELLERS. The obligations of the Sellers to sell and deliver the Shares are subject to the conditions that (a) at or before 10:00 a.m., central time, on the day immediately following the date of this Agreement, or such later time and date as the Company and the Representatives may from time to time consent to in writing or by confirmed telefax, the Registration Statement shall have become effective, and (b) at the Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued or proceedings therefor initiated or threatened. If either of the conditions hereinabove provided for in this Section 8 shall not have been fulfilled

when and as required by this Agreement to be fulfilled, this Agreement may be terminated by the Company by notifying the Representatives of such termination in writing or by confirmed telefax at or prior to the Closing Date.

9. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, the Rules and the Exchange Act from and against any and all losses, claims, damages, liabilities, joint or several, to which such Underwriter or such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon any breach of any representation, warranty, agreement, or covenant of the Company, or any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse each Underwriter and each such controlling person for legal and other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; PROVIDED, HOWEVER, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement made in, or omission or alleged omission from, the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 14 below; and PROVIDED FURTHER, that with respect to any untrue statement or alleged untrue statement in or omission or alleged omission from any Preliminary Prospectus, the indemnity agreement contained in this Section 9(a) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities

purchased the Shares concerned, to the extent that a prospectus relating to such Shares was required to be delivered by such Underwriter under the Act in connection with such purchase and any such loss, claim, damage or liability of such Underwriter, results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Shares to such person, a copy of the Prospectus as then amended or supplemented (excluding any documents incorporated by reference therein) if the Company had previously furnished copies thereof to such Underwriter. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Selling Stockholder severally and not jointly agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter, within the meaning of the Act, the Rules and the Exchange Act, from and against any losses, claims, damages, or liabilities, joint or several (or actions or proceedings in respect thereof) and all expenses (including costs of investigation and legal expenses) to which such Underwriters or such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, liabilities or expenses arise out of or are based upon any breach of any representation, warranty, agreement, or covenant of such Selling Stockholder contained in this Agreement or any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged

omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, in conformity with written information furnished to the Company by or on behalf of such Selling Stockholder specifically for use therein; PROVIDED, HOWEVER, that such Selling Stockholder will not be liable in any such case to the extent that such statement or omission was contained or made in any Preliminary Prospectus and corrected in the Prospectus and (A) any such loss, claim, damage or liability suffered or incurred by any Underwriter (or any person who controls any Underwriter) resulted from any action, claim or suit by any person who purchased Shares which are the subject thereof from such Underwriter in the offering and (B) such Underwriter failed to deliver or provide a copy of the Prospectus to such person at or prior to the confirmation of the sale of such Shares, in the case where such delivery is required by the Act. This indemnity agreement will be in addition to any liability which the Selling Stockholders may otherwise have.

Each Selling Stockholder shall be liable to all persons under the indemnity agreements contained in this paragraph (b) and for breaches of its representations contained in Section 1 hereof only for an amount not exceeding the net proceeds received by such Selling Stockholder from the

sale of Shares hereunder.

(c) Each Underwriter severally, but not jointly, will indemnify and hold harmless the Selling Stockholders and the Company, each of its directors, each of its officers who have signed the Registration Statement, and each person, if any, who controls the Company, within the meaning of the Act, the Rules and the Exchange Act from and against any losses, claims, damages or liabilities to which the Company, or any such director, officer, or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Selling Stockholders or the Company, or any such director, officer, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; PROVIDED, HOWEVER, that each Underwriter will be liable in such case only to the extent that such untrue statement, or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with information furnished to the Company by or through the Representatives expressly for use in the preparation thereof, which information is described in Section 14. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(d) Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action or proceeding, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 9, except to the extent that the indemnifying party is substantially prejudiced by the omission of such notification. In case any such action or proceeding is brought against any party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such

indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than

reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding. Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party uness (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party has failed to assume the defense and employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include such indemnified party and the indemnifying party, as the case may be, and such indemnified party shall have been advised in writing by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party, in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, it being understood, however, that (A) the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such indemnified parties, which firm shall be designated in writing by the indemnified parties, and that (B) all such fees and expenses shall be reimbursed as they are incurred. Subject to the foregoing provisions of this Section 9(d), the indemnifying party shall not be liable for the costs and expenses of any settlement of any action without the consent of the indemnifying party.

(e) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 9 is for any reason held to be unavailable to an indemnified party under subsection (a), (b) or (c) above in respect to any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Sellers on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the parties in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Sellers bears to the underwriting discounts and commissions received by the Underwriters. The relative fault of a party shall be

determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by each party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any such action or claim.

The Sellers and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriters have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute shall be several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 9 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Without limitation and in addition to its obligations under the other subsections of this Section 9, the Company agrees to indemnify and hold harmless BRS, and each person, if any, who controls BRS within the meaning of the Act, the Rules or the Exchange Act, from and against any loss, claim, damage, liabilities or expense, as incurred, arising out of or based upon BRS acting as a "qualified independent underwriter" (within the meaning of Rule 2720 of the NASD's Conduct Rules) in connection with the offering contemplated by this Agreement, and agrees to reimburse each such indemnified person for any legal and other expense reasonably incurred by them in connection with investigating, defending, settling, compromising or

paying any such loss, claim, damage, liability, expense or action; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense results from the gross negligence or willful misconduct of BRS.

10. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements of the Selling Stockholders, the Company, and the officers of the Company herein or in certificates delivered pursuant hereto, and the indemnity and contribution agreements contained in Section 9 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriters or any controlling person, or by or on behalf of the Company or any of its officers, directors or controlling persons, and shall survive delivery of the Underwritten Shares and, if appropriate, the Option Shares to the Representatives or termination of this Agreement.

11. DEFAULT BY UNDERWRITERS. If any Underwriter shall fail to purchase and pay for the Shares which such Underwriter has agreed to purchase and pay for hereunder (otherwise than by reason of any default on the part of the Company or any of the Selling Stockholders), you, as the Representatives of the Underwriters, shall use your best efforts to procure within twenty-four hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company and the Selling Stockholders such amounts as may be agreed upon and upon the terms set forth herein, the Shares which the defaulting Underwriter or Underwriters failed to purchase. If during such twenty-four hours you, as such Representatives, shall not have procured such other Underwriters, or any others, to purchase the Shares agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of

Shares with respect to which such default shall occur does not exceed 10% of the Shares which the Underwriters are obligated to purchase hereby, the other Underwriters shall be obligated, severally, in proportion to the respective number of Shares which they are obligated to purchase hereunder, to purchase the Shares which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of Shares with respect to which such default shall occur exceeds 10% of the Shares covered hereby, the Company or you, as the Representatives of the Underwriters, will have the right, by written notice given within the next twenty-four hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or the Company or the Selling Stockholders except to the extent provided in Section 9 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 11, the time of closing may be postponed for such period, not to exceed seven days, as you, as the Representatives, may determine in order that the required changes in the Registration Statement, the Prospectus or in any other documents or arrangements may be effected. The term "Underwriters" includes any person substituted for a defaulting Underwriter. Any action taken under Section 11 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

12. NOTICES. All communications hereunder shall be in writing and, except as otherwise provided in, will be mailed, delivered or telefaxed and

confirmed as follows: if to the Underwriters, c/o the Representatives as follows: to Stephens Inc., 111 Center Street, Little Rock, Arkansas 72201, Attention: Sandra Farmer, with a copy to C. Douglas Buford, Jr., Wright, Lindsey & Jennings LLP, 200 West Capitol Avenue, Suite 2200, Little Rock, Arkansas 72201; if to the Company or the Selling Stockholders, to Power-One, Inc., 740 Calle Plano, Camarillo, California 93012, Attention: Steven J. Goldman, with a copy to Kendall R. Bishop, O'Melveny & Myers LLP, 1999 Avenue of the Stars, Suite 700, Los Angeles, California 90067-6035.

13. TERMINATION. This Agreement may be terminated by notice to the Sellers as follows:

(a) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any Material Adverse Change which would, in your reasonable judgment, materially make it impracticable to market the Shares in the manner contemplated by the Prospectus, (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make the offering or delivery of the Shares impracticable, (iii) suspension of trading or general trading halts in securities on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or the over-the-counter market or limitation on prices (other than limitations on hours or numbers of days or trading) for securities on either such Exchange, the Nasdaq National Market or the over-the-counter market, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your reasonable opinion materially and adversely affects or will materially or adversely affect the business or operations of the Company, or (v) declaration of a banking moratorium by either federal or state authorities; or

(b) as provided in Sections 7 and 11 of this Agreement.

14. INFORMATION FURNISHED BY UNDERWRITERS. The information set forth in the Prospectus: (a) in the penultimate paragraph on the cover page, (b) in the table under the caption "Underwriting" on page _____, listing the Underwriters and the number of shares each has agreed to purchase, and in the first and third paragraphs immediately following such table, relating to the concession to dealers and the reallowance to certain other dealers and the delivery of the Shares, (c) in the subsection captioned "Stabilization" under

the caption "Underwriting", (d) the last sentence of the subsection captioned "Qualified Independent Underwriter" under the caption "Underwriting", and (e) in the second paragraph of the subsection captioned "Other Matters" under the caption "Underwriting" constitute the written information furnished by or on behalf of any Underwriters referred to in paragraph (a) (v) of Section 1 hereof and in paragraphs (a) and (b) of Section 9 hereof.

15. SUCCESSORS. This Agreement has been and is made solely for the

benefit of the Underwriters, the Company, the Selling Stockholders and their respective successors, executors, administrators, heirs, and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Shares merely because of such purchase.

16. MISCELLANEOUS. The Representatives will act for the several Underwriters in connection with this offering, and any action under this Agreement taken by the Representatives jointly or by Stephens Inc. will be binding upon all of the Underwriters.

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

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Arkansas, without giving effect to the choice of law or conflict of law principles thereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company, the Selling Stockholders and the several Underwriters in accordance with its terms.

Very truly yours,

POWER-ONE, INC.

By:

Steven J. Goldman
President and Chief Executive Officer

SELLING STOCKHOLDERS

By:

Attorney in Fact

The foregoing Underwriting Agreement is hereby
confirmed and accepted as of the date first above written.

STEPHENS INC., BANCBOSTON ROBERTSON STEPHENS INC.

AND THOMAS WEISEL PARTNERS LLC

By:

Stephens Inc., Senior Manager
Name:

Title:

As Representatives of the several Underwriters
named in Schedule II hereto

SCHEDULE I

<TABLE>
<CAPTION>

Seller	No. of Underwritten Shares
<S>	<C>
Power-One, Inc.	4,000,000
Voting Trust dated as of June 8, 1998	1,540,600
Steven J. Goldman	459,200
Eddie K. Schnopp	63,500
Dennis R. Roark	132,200
David J. Hage	133,900
Brad W. Godfrey	72,500
Donna Koep	38,700
Grandchild's Trust One UID 12/16/85	9,800
Grandchild's Trust Two UID 12/16/85	9,800
Grandchild's Trust Three UID 12/89	9,800
Susan Stephens Campbell 1995 Trust UID 12/16/85	7,500
Craig D. Campbell, Jr. 1995 Trust UID 12/4/95	7,500
Elizabeth Chisum Campbell Trust UID 12/4/95	7,500
W.R. Stephens Jr. Children's Trust UID 3/1/95	7,500
Total	6,500,000

</TABLE>

SCHEDULE II

<TABLE>
<CAPTION>

Name	No. of Underwritten Shares
<S>	<C>
Stephens Inc.	
BancBoston Robertson Stephens Inc.	
Thomas Weisel Partners LLC	

Total	

</TABLE>

EXHIBIT A

_____, 1999

Stephens Inc., BancBoston Robertson Stephens Inc. and
Thomas Weisel Partners LLC, as Representatives of the Several Underwriters
c/o Stephens Inc.
111 Center Street
Little Rock, Arkansas 72201

Re: Agreement Not to Sell Power-One, Inc. Stock

Ladies and Gentlemen:

This letter is provided, at the request of Power-One, Inc. (the "Company"), for the benefit of the Company and the Underwriters in connection with the proposed public offering of 6,500,000 shares of Power-One, Inc. Common Stock (plus an additional 975,000 shares if the Underwriters choose to exercise their

over-allotment option) pursuant to a Registration Statement on Form S-3 (File No. _____). As an inducement to the Underwriters to (a) enter into an Underwriting Agreement with the Company and (b) consummate the transactions contemplated in such Underwriting Agreement, the undersigned hereby represents and agrees as follows:

1. Upon the closing of the Company's public offering, the undersigned will beneficially own the number of shares of the Company's Common Stock set forth below opposite the signature of the undersigned (the "Shares"), and no others.

2. The undersigned agrees that, for a period of 90 days from the effective date of the Registration Statement, except for bona fide gifts to persons who agree with you in writing to be bound by this letter, the undersigned will not offer, sell or otherwise dispose of any of the Shares, directly or indirectly, without written consent of BancBoston Robertson Stephens Inc., on behalf of the Representatives of the Underwriters, which consent will not be unreasonably withheld; except that (a) such Shares may be pledged as collateral against loans of the undersigned without such written consent, and (b) if loans secured by Shares are called, the undersigned and any applicable pledgee will have the right to sell the shares pledged on such loans to the extent necessary to satisfy such loans.

Shares of Common Stock: Very truly yours,

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September 10, 1999

Power-One, Inc.
740 Calle Plano
Camarillo, California 93012

Ladies and Gentlemen:

In connection with the registration under the Securities Act of 1933, as amended (the "Act") of up to 4,975,000 shares of Common Stock of Power-One, Inc. (the "Company"), par value $0.001 per share, to be sold by the Company (the "Company Shares") and 2,500,000 shares to be sold by certain of the Company's stockholders (the "Stockholder Shares"), pursuant to a Registration Statement on Form S-3 (the "Registration Statement"), filed with the Securities and Exchange Commission on August 2, 1999, as amended, you have requested our opinion with respect to the matters set forth below.

We have considered such facts and examined such questions of law as we have considered appropriate for purposes of rendering the opinion expressed below.

We are opining only as to the General Corporation Law of the State of Delaware and we express no opinion with respect to the applicability or the effect of any other laws or as to any matters of municipal law or of any other local agencies within any state.

Subject to the foregoing and in reliance thereon, in our opinion, (i) the Company Shares have been duly authorized by all necessary corporate action on the part of the Company and, upon payment for and delivery of the Company Shares as contemplated in the Registration Statement and the countersigning of any certificates representing the Company Shares by a duly authorized signatory of the registrar for the Company's Common Stock, the Company Shares will be validly issued, fully paid and non-assessable, and (ii) the Stockholder Shares are duly authorized, validly issued, fully paid and non-assessable.

We consent to your filing this opinion as an exhibit to the Registration Statement and the reference to our firm under the heading "Legal Matters."

Very truly yours,

/s/ O'Melveny & Myers LLP

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$65,000,000

SECOND AMENDED AND RESTATED

CREDIT AGREEMENT

AMONG

POWER-ONE, INC.

CERTAIN SUBSIDIARIES OF POWER-ONE, INC.

CERTAIN LENDERS

AND

BANK OF AMERICA, N.A.,
AS ADMINISTRATIVE AGENT

AND

UNION BANK OF CALIFORNIA, N.A.
AS CO-AGENT

August 12, 1999

BANC OF AMERICA SECURITIES LLC,
AS LEAD ARRANGER AND LEAD BOOK MANAGER

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SCHEDULES AND EXHIBITS

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THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT is dated as of August 20, 1999, among POWER-ONE, INC., a corporation organized and existing under the laws of the State of Delaware (the "PARENT"), INTERNATIONAL POWER DEVICES, INC., a corporation organized under the laws of the Commonwealth of Massachusetts ("IPD"), MELCHER HOLDING AG, a Swiss corporation ("MELCHER") (the Parent, IPD and Melcher are hereinafter sometimes referred to herein collectively as the "BORROWERS"), the Lenders from time to time party hereto, BANK OF AMERICA, N.A., a national banking association, as administrative agent for the Lenders, and UNION BANK OF CALIFORNIA, N.A., a national banking association, as co-agent for the Lenders.

BACKGROUND

The Borrowers have requested that the Lenders make a credit facility available to the Borrowers in the maximum principal amount of $65,000,000 to (a) refinance existing debt of the Parent outstanding pursuant to the terms of that certain Amended and Restated Credit Agreement, dated as of December 10, 1997, among the Parent, the lenders party thereto, and Bank of America, N.A. (formerly known as Bank of America National Trust and Savings Association, successor by merger to Bank of America, N.A., formerly known as NationsBank, N.A. and successor by merger to NationsBank of Texas, N.A.), as Administrative Agent, as amended, modified, supplemented and restated from time to time (the "EXISTING CREDIT AGREEMENT"), (b) finance Acquisitions (as hereinafter defined) permitted hereunder, and (c) finance the ongoing working capital and general corporate requirements of the Parent and its Subsidiaries (as hereinafter defined). The Lenders have agreed to do so, subject to the terms and conditions set forth below.

In consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration hereby acknowledged, the parties hereto agree that the Existing Credit Agreement shall be amended, restated and superseded as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 DEFINED TERMS. For purposes of this Agreement:

"ACQUISITION" shall mean any transaction pursuant to which the Parent or any of its Subsidiaries, (i) whether by means of a capital contribution or purchase or other acquisition of stock or other securities or other equity participation or interest, (A) acquires more than 50% of

the equity interest in any Person pursuant to a solicitation by the Parent or such Subsidiary of tenders of equity securities of such Person, or through

one or more negotiated block, market, private or other transactions not involving an unfriendly tender offer, or a combination of any of the foregoing, or (B) makes any corporation a Subsidiary of the Parent or such Subsidiary, or causes any corporation, other than a Subsidiary of the Parent or such Subsidiary, to be merged into the Parent or such Subsidiary (or agrees to be merged into any other corporation other than a wholly-owned Subsidiary (excluding directors' qualifying shares) of the Parent or such Subsidiary), or (ii) in one transaction or a series of related transactions, purchases or acquires any business or assets of any Person other than in the ordinary course of business.

"ACQUISITION CONSIDERATION" means the consideration given by the Parent or any of its Subsidiaries for an Acquisition, including but not limited to the fair market value of any cash, property, stock or services given, the maximum amount that could reasonably be expected to be paid pursuant to any earn-out contracts or agreements and the amount of any Indebtedness in respect of debt for borrowed money, Synthetic Leases and Capitalized Lease Obligations assumed or incurred by the Parent or any of its Subsidiaries in connection with such Acquisition.

"ADMINISTRATIVE AGENT" means Bank of America, N.A., a national banking association, as administrative agent for Lenders, or such successor administrative agent appointed pursuant to SECTION 10.1(b) hereof.

"ADVANCE" means any amount advanced by the Lenders to the Borrowers pursuant to ARTICLE 2 hereof on the occasion of any borrowing.

"AFFILIATE" means, as applied to any Person, any other Person that, directly or indirectly, through one or more Persons, Controls or is Controlled By or Under Common Control with, that Person.

"AGREEMENT" means this Second Amended and Restated Credit Agreement, as amended, modified, supplemented or restated from time to time.

"AGREEMENT CURRENCY" has the meaning specified in SECTION 11.17 hereof.

"AGREEMENT DATE" means the date of this Agreement.

"APPLICABLE CURRENCY" means, as to any particular payment or Advance, Dollars or the Approved Offshore Currency in which it is denominated or is payable.

"APPLICABLE ENVIRONMENTAL LAWS" means applicable laws pertaining to health or the environment, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended from time to time, "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the

Solid Waste Disposal Act amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended from time to time, "RCRA").

"APPLICABLE LAW" means (a) in respect of any Person, all provisions of constitutions, statutes, rules, regulations and orders of governmental bodies or regulatory agencies applicable to such Person and its properties, including, without limiting the foregoing, all orders and decrees of all courts and arbitrators in proceedings or actions to which the Person in question is a party, and (b) in respect of contracts relating to interest or finance charges that are made or performed in the State of Texas, "APPLICABLE LAW" shall mean the laws of the United States of America, including without limitation 12 USC Sections 85 and 86, as amended from time to time, and any other statute of the United States of America now or at any time hereafter prescribing the maximum rates of interest on loans and extensions of credit, and the laws of the State of Texas, including, without limitation, Article 5069-IH, Title 79, Revised Civil Statutes of Texas, 1925, as amended ("ART. IH"), if applicable, and if Art. IH is not applicable, Article 5069-ID, Title 79, Revised Civil Statutes of Texas, 1925, as amended ("ART. ID"), and any other statute of the State of Texas now or at any time hereafter prescribing maximum rates of interest on loans and extensions of credit; provided that the parties hereto agree that the provisions of Chapter 346 of the Texas Finance Code, as amended, shall not apply to Advances, the Reimbursement Obligations, this Agreement, the Notes or any other Loan Documents.

"APPLICABLE LENDER" has the meaning specified in SECTION 11.17 hereof.

"APPLICABLE MARGIN" means the following per annum percentages, applicable in the following situations:

<TABLE>
<CAPTION>

	Applicability	Base Rate Basis	Offshore Basis
<S>		<C>	<C>
(a)	INITIAL PRICING PERIOD	1.25	2.50
	SUBSEQUENT PRICING PERIOD		
(b)	The Leverage Ratio is greater than or equal to 2.50 to 1	1.25	2.50
(c)	The Leverage Ratio is less than 2.50 to 1 but greater than or equal to 1.75 to 1	0.75	2.00
(d)	The Leverage Ratio is less than 1.75 to 1 but greater than or equal to 1.00 to 1	0.25	1.50
(e)	The Leverage Ratio is less than 1.00 to 1	0.00	1.25

</TABLE>

The Applicable Margin payable by the applicable Borrower on the Advances

outstanding hereunder shall be subject to reduction or increase, as applicable and as set forth in the table above, on a quarterly basis (except as otherwise provided in SECTION 7.6 hereof) according to the performance of the Parent as tested by using the Leverage Ratio calculated as of the end of each fiscal quarter during the Subsequent Pricing Period; PROVIDED, that each adjustment in the Offshore Rate shall be effective with respect to Offshore Advances (i) made following receipt by

the Administrative Agent of the financial statements required to be delivered pursuant to SECTION 6.1 or 6.2 hereof, as applicable, for each such fiscal quarter, and the corresponding Compliance Certificate required pursuant to SECTION 6.3 hereof, on the date of making of such Offshore Advance and (ii) outstanding on the date of receipt of such financial statements and Compliance Certificate referred to in clause (i) immediately preceding, on the date which is 2 Business Days following the date of receipt of such financial statements and Compliance Certificate. If such financial statements and Compliance Certificate are not received by the Administrative Agent by the date required, the Applicable Margin shall be determined as if the Leverage Ratio is greater than or equal to 2.50 to 1 until such time as such financial statements and Compliance Certificate are received.

"APPROVED OFFSHORE CURRENCY" means any Pound Sterling, Danish Kroner, Swiss Francs, Canadian Dollars, the Euro and any other freely available currency (excluding Mexican Pesos) notified to the Administrative Agent upon not less than 10 Business Days' notice that in the opinion of all Lenders, in their sole discretion, is at such time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars.

"APPROVED OFFSHORE CURRENCY ADVANCE" means an Advance denominated in an Approved Offshore Currency.

"APPROVED OFFSHORE CURRENCY BORROWING LIMIT" means the Dollar Equivalent of $25,000,000; provided, however, no more than the Dollar Equivalent of $15,000,000 in proceeds of Approve Offshore Currency Advances may be used for purposes other than to refinance Indebtedness of Melcher which exists on the Agreement Date and is set forth on SCHEDULE 6 hereto.

"APPROVED OFFSHORE CURRENCY LENDING OFFICE" means the address of each Lender specified on SCHEDULE 1 attached hereto as its Approved Offshore Currency Lending Office.

"APPROVED OFFSHORE CURRENCY PAYMENT OFFICE" means the addresses of each Lender specified on SCHEDULE 1 attached hereto.

"APPROVED OFFSHORE CURRENCY RATE" means, for any Offshore Advance to be made in an Approved Offshore Currency for any Interest Period therefor, the interest rate per annum (rounded upward to the nearest 1/16th of one percent) determined by the Administrative Agent at approximately 9:00 a.m. (London time),

on the date which is two Business Days before the first day of such Interest Period to be the offered quotations that appear on the Reuter's Screen SIDE page for deposits in the applicable Approved Offshore Currency in the applicable Interbank Market for such Approved Offshore Currency for a length of time approximately equal to the Interest Period for the Approved Offshore Currency Advance sought by the Borrowers. If at least two such offered quotations appear on the Reuter's Screen SIDE page, the Approved Offshore Currency Rate shall be the arithmetic mean (rounded upward to the nearest 1/16th of one percent) of such offered quotations, as determined by the Administrative Agent. If the

Reuter's Screen SIDE page is not available or has been discontinued, the Approved Offshore Currency Rate shall be the rate per annum that the Administrative Agent determines to be the arithmetic mean (rounded as aforesaid) of the per annum rates of interest at which deposits in the applicable Approved Offshore Currency in an amount approximately equal to the principal amount of, and for a length of time approximately equal to the Interest Period for, the Offshore Advance sought by the Borrowers are offered to the Administrative Agent in immediately available funds in the applicable Interbank Market for such Approved Offshore Currency at 11:00 a.m. (local time of such Interbank Market), on the date which is two Business Days prior to the first day of an Interest Period.

"ART. ID" has the meaning specified in the definition of "APPLICABLE LAW".

"ART. IH" has the meaning specified in the definition of "APPLICABLE LAW".

"ASSIGNMENT AGREEMENT" has the meaning specified in SECTION 11.6 hereof.

"AUTHORIZED SIGNATORY" means Eddie K. Schnopp or such other senior personnel of the Parent as may be duly authorized and designated in writing by the Borrowers delivered to the Administrative Agent to execute documents, agreements and instruments on behalf of the Borrowers, and to request Advances and Letters of Credit hereunder.

"BASE RATE ADVANCE" means any Advance bearing interest at the Base Rate Basis.

"BASE RATE BASIS" means, for any day, a per annum interest rate equal to the higher of (a) the sum of (i) 0.50% plus (ii) the Federal Funds Rate on such day plus (iii) the Applicable Margin or (b) the sum of (i) the Prime Rate on such day plus (ii) the Applicable Margin. The Base Rate Basis shall be adjusted automatically without notice to the Borrowers as of the opening of business on the effective date of each change in the Prime Rate to account for such change.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or Dallas, Texas are authorized or required by Law to close, and, if the applicable Business Day relates to:

(a) an Offshore Advance denominated in Dollars, any such day on which dealings are carried on in the applicable offshore Dollar market;

(b) with respect to the Euro, any such day which is:

(i) for payments or purchases of the Euro, a TARGET Business Day; and

(ii) for all other purposes, including without limitation the giving and receiving of notices hereunder, a TARGET Business Day on which banks are generally

open for business in London, Frankfurt and in any other principal financial center as the Administrative Agent may from time to time determine for this purpose; and

(c) an Offshore Advance denominated in any other Approved Offshore Currency, a day on which commercial banks are open for foreign exchange business in London, England, and on which dealings in the relevant Approved Offshore Currency are carried on in the applicable offshore foreign exchange interbank market in which disbursement of or payment in such Approved Offshore Currency will be made or received hereunder.

"CAPITAL EXPENDITURES" means, for any period, expenditures made by the Parent and its Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements during such period and the aggregate amount of items leased or acquired under Capital Leases at the cost of the item, but excluding any such assets, plant and equipment acquired in connection with an Acquisition permitted pursuant to SECTION 7.6 hereof) computed in accordance with GAAP, consistently applied.

"CAPITAL STOCK" means, as to any Person, the equity interests in such Person, including, without limitation, the shares of each class of capital stock in any Person that is a corporation, each class of partnership interest (including, without limitation, general, limited and preference units) in any Person that is a partnership, and each member interest in any Person that is a limited liability company.

"CAPITALIZED LEASE OBLIGATIONS" means that portion of any obligation of the Parent or any of its Subsidiaries as lessee under a lease which at the time would be required to be capitalized on a balance sheet of the Parent or such Subsidiary prepared in accordance with GAAP.

"CASH AND CASH EQUIVALENTS" means with respect to the Parent and each of its Subsidiaries (i) cash (which after the occurrence of an Event of Default shall exclude any cash proceeds of accounts), (ii) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or

instrumentality thereof having maturities of not more than six months from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any Lender or with any domestic commercial bank having capital and surplus in excess of $500,000,000, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper issued by any Lender or the parent corporation of any Lender, and commercial paper rated A-1 or the equivalent thereof by Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc., a New York corporation, or P-1 or the equivalent thereof by Moody's Investors Service, Inc., and in each case maturing within six months after the date of acquisition, and (vi) a readily redeemable "money market mutual fund" advised by a bank described in clause (iii) hereof, or an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, that has and

maintains an investment policy limiting its investments primarily to instruments of the types described in clauses (i) through (v) hereof and having on the date of such Investment total assets of at least One Hundred Million Dollars ($100,000,000.00).

"CASH COLLATERALIZED LETTERS OF CREDIT" means Letters of Credit with respect to which cash in the amount of such Letters of Credit has been deposited in the L/C Cash Collateral Account as provided in SECTION 2.15(g)(i) hereof.

"CHANGE OF CONTROL" means (a) any merger or consolidation of the Parent with or into any Person (other than a merger or consolidation in which the Parent is a surviving corporation) or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Parent, on a consolidated basis, in one transaction or a series of related transactions, (b) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, whether or not applicable) is or becomes the "beneficial owner", directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock of the Parent then outstanding normally entitled to vote in elections of directors, or (c) during any period of 24 consecutive months after the Agreement Date, individuals who at the beginning of such 24-month period constituted the board of directors of the Parent (together with any new directors whose election by such board of directors or whose nomination for election by the shareholders of the Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of the Parent then in office.

"CO-AGENT" means Union Bank of California, N.A., a national banking association.

"COBRA" has the meaning specified in SECTION 4.1(L) hereof.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means any collateral hereafter granted by any Person to the Administrative Agent for the benefit of the Lenders or any Affiliate of any Lender to secure the Obligations.

"COLLATERAL DOCUMENT" means any document under which Collateral is granted and any document related thereto.

"COMPLIANCE CERTIFICATE" means a certificate, signed by an Authorized Signatory, in substantially the form of EXHIBIT C, appropriately completed.

"CONTROL" or "CONTROLLED BY" or "UNDER COMMON CONTROL" means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); provided, however, that in any event any Person which beneficially owns, directly or indirectly, 10% or more (in number of votes) of

the securities having ordinary voting power for the election of directors of a corporation shall be conclusively presumed to control such corporation.

"CONTROLLED GROUP" means as of the applicable date, as to any Person not an individual, all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) which are under common control with such Person and which, together with such Person, are treated as a single employer under Section 414(b), (c), (m) or (o) of the Code; provided, however, that the Subsidiaries of the Parent shall be deemed to be members of the Parent's Controlled Group.

"DEBTOR RELIEF LAWS" means any applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar debtor relief Laws affecting the rights of creditors generally from time to time in effect.

"DEFAULT" means an Event of Default and/or any of the events specified in SECTION 8.1, regardless of whether there shall have occurred any passage of time or giving of notice that would be necessary in order to constitute such event an Event of Default.

"DEFAULT RATE" means a simple per annum interest rate equal to (a) with respect to Base Rate Advances, the lesser of (i) the Highest Lawful Rate or (ii) the Prime Rate plus two percent, or (b) with respect to Offshore Advances, the lesser of (i) the Highest Lawful Rate or (ii) the Offshore Basis plus two

percent.

"DETERMINING LENDERS" means, on any date of determination, any combination of the Lenders having more than 50% of the aggregate amount of the Advances then outstanding; provided, however, that if there are no Advances outstanding hereunder, "Determining Lenders" shall mean any combination of Lenders whose Specified Percentages aggregate more than 50%.

"DIVIDEND" means, as to any Person, (a) any declaration or payment of any dividend (other than a stock dividend) on, or the making of any distribution on account of, any shares of Capital Stock of, or other similar interest in, such Person and (b) any purchase, redemption, or other acquisition or retirement for value of any shares of Capital Stock of, or similar interest in, such Person.

"DOLLAR" or "$" means the lawful currency of the United States of America.

"DOLLAR ADVANCE" means an Advance denominated in Dollars.

"DOLLAR EQUIVALENT" means (a) in relation to any amount denominated in Dollars, the amount thereof and (b) in relation to an amount denominated in an Approved Offshore Currency, the amount of such Dollars required to purchase the relevant stated amount of Approved Offshore Currency at the Exchange Rate on the date of determination. For the purposes of this Agreement, unless otherwise expressly stated herein, the Dollar Equivalent principal amount any

Advance or Letter of Credit shall be determined on the date on which the Notice of Borrowing or Notice of Issuance is received with respect thereto.

"DOLLAR EQUIVALENT EXCESS" has the meaning specified in SECTION 2.5(b) hereof.

"DOMESTIC SUBSIDIARY" means any Subsidiary of the Parent other than a Foreign Subsidiary.

"EBITDA" means, for any period, determined in accordance with GAAP on a consolidated basis for the Parent and its Subsidiaries, the sum of (a) Pretax Net Income (excluding therefrom, to the extent included in determining Pretax Net Income, any items of extraordinary gain, including net gains on the sale of assets other than asset sales in the ordinary course of business, and adding thereto, to the extent included in determining Pretax Net Income, any items of extraordinary loss, including net losses on the sale of assets other than asset sales in the ordinary course of business), plus (b) interest expense, plus (c) depreciation and amortization plus (d) to the extent included in such period, a one-time charge for acquired in-process research and development related to IPD not to exceed $3,300,000 in aggregate amount, plus (e) to the extent included in such period, a one-time charge for the inventory write-up with respect to purchase accounting adjustments related to the Acquisition of IPD and Melcher not to exceed $3,700,000 in aggregate

amount, plus (f) a one-time write-off with respect to the Calex license not to exceed $1,000,000 in aggregate amount.

"ELIGIBLE ASSIGNEE" means (a) a Lender, (b) an Affiliate of a Lender organized under the laws of the United States or any state thereof, (c) any commercial bank organized under the laws of the United States or any state thereof, and (d) any savings and loan association or savings bank organized under the laws of the United States or any state thereof, (e) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, provided that such bank is acting through a branch or agency located in the United States, and (f) a finance company, insurance company or other financial institution or fund organized under the laws of the United States or any state thereof that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business; PROVIDED, HOWEVER, that neither the Parent nor any of its Affiliates shall qualify as an Eligible Assignee.

"EMU" means Economic and Monetary Union as contemplated in the Treaty.

"EMU LEGISLATION" means (a) the Treaty and (b) legislative measures of the European Council for the introduction of, changeover to, or operation of, the Euro, in each case as amended or supplemented from time to time.

"EQUITY" means shares of capital stock or partnership, profits, capital or member interest, or options, warrants or any other right to subscribe for or otherwise acquire capital stock or a partnership, profits, capital or member interest, of the Parent or any of its Subsidiaries.

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

"ERISA EVENT" means, with respect to the Parent and its Subsidiaries, (a) a Reportable Event (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under regulations issued under Section 4043 of ERISA), (b) the withdrawal of any such Person or any member of its Controlled Group from a Plan subject to Title IV of ERISA during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate under Section 4041(c) of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC, (e) the failure to make required contributions which could result in the imposition of a lien under Section 412 of the Code or Section 302 of ERISA, or (f) any other 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 Plan or the imposition of any liability under Title IV of ERISA other than PBGC premiums due but not delinquent under Section 4007 of ERISA; PROVIDED, HOWEVER, that ERISA Event shall not include the termination by Service Supply of its employee stock option plan.

"EURO" means the single currency of Participating Member States introduced in accordance with the provisions of Article 109(l)4 of the Treaty; all payments to be made under this Agreement in euros shall be made in immediately available, freely transferable funds.

"EVENT OF DEFAULT" means any of the events specified in SECTION 8.1, provided that any requirement for notice or lapse of time has been satisfied.

"EXCHANGE RATE" means with respect to any Approved Offshore Currency on a particular date, the rate at which such Approved Offshore Currency may be exchanged into Dollars, as set forth on such date on the Reuters currency page for exchanges of such Approved Offshore Currency into Dollars. In the event that such rate does not appear on any Reuters currency page, the Exchange Rate with respect to such Approved Offshore Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrowers or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic mean of the spot rates of exchange for the Administrative Agent and two other money center banks in the interbank market where the foreign currency exchange operations of the Administrative Agent and such two other money center banks in respect of such Approved Offshore Currency are then being conducted, at or about 10:00 a.m. local time, at such date for the purchase of Dollars with such Approved Offshore Currency, for delivery two Business Days later; PROVIDED, HOWEVER, that if at the time of any such determination, for any reason, no such spot rate is being quoted by the Administrative Agent, the Administrative Agent may use any reasonable method it deems applicable to determine its respective spot rate, and such determination shall be prima facie evidence of such rate.

"EXISTING LETTERS OF CREDIT" means those Letters of Credit issued under the Existing Credit Agreement and outstanding on the Agreement Date which are set forth on SCHEDULE 7 hereto.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upwards if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of Dallas on the Business Day next succeeding such day, provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as reasonably determined by Administrative Agent.

"FEE LETTER" has the meaning specified in SECTION 2.4(b) hereof.

"FISCAL YEAR" means each period of 52 or 53 weeks ending on the Sunday closest to December 31 of each year.

"FIXED CHARGES" means, for any period of calculation, calculated for the Parent and its Subsidiaries on a consolidated basis, the sum of, without duplication, (a) scheduled principal payments in respect of Indebtedness during such period, plus (b) interest expense (including interest expense pursuant to Capitalized Lease Obligations during such period), plus (c) lease expense under Operating Leases during such period.

"FIXED CHARGE COVERAGE RATIO" means the ratio of Pretax Cash Flow to Fixed Charges, calculated for the four consecutive fiscal quarters immediately preceding the date of calculation.

"FOREIGN SUBSIDIARY" means any Subsidiary of the Parent which is not organized under the laws of any state of the United States of America or the District of Columbia.

"GAAP" means generally accepted accounting principles applied on a consistent basis, set forth in the Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, or their successors which are applicable in the circumstances as of the date in question. The requirement that such principles be applied on a consistent basis shall mean that the accounting principles applied in a current period are comparable in all material respects to those applied in a preceding period.

"GUARANTY" or "GUARANTEED", as applied to an obligation of another Person, means (a) a guaranty, direct or indirect, in any manner, of any part or all of such obligation, and (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of nonperformance) of

any part or all of such obligation, including, without limiting the foregoing, any reimbursement obligations with respect to amounts which may be drawn by beneficiaries of outstanding letters of credit; provided, however, Guaranty does not mean (A) the endorsement of instruments for collection or deposit in the ordinary course of business and (B) customary indemnities given in connection with asset sales in the ordinary course of business.

"HIGHEST LAWFUL RATE" means at the particular time in question the maximum rate of interest which, under Applicable Law, the Lenders are then permitted to charge on the Obligations. If the maximum rate of interest which, under Applicable Law, the Lenders are permitted to charge on the Obligations shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each change in the Highest Lawful Rate without notice to the Borrowers. For purposes of determining the Highest Lawful Rate under the Applicable Law of the State of Texas, the applicable rate ceiling shall be

(a) the weekly rate ceiling described in and computed in accordance with the provisions of Art. ID.003 or (b) if the parties subsequently contract as allowed by Applicable Law, the quarterly ceiling or the annualized ceiling computed pursuant to Art. ID.008; provided, however, that at any time the indicated rate ceiling, the quarterly ceiling or the annualized ceiling shall be less than 18% per annum or more than 24% per annum, the provisions of Art. ID.009(a) and (b) shall control for purposes of such determination, as applicable.

"INDEBTEDNESS" means, with respect to any Person, without duplication, (a) all items, except accounts payable arising in the normal course of business, which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person, (b) all obligations secured by any Lien on any property or asset owned by such Person (other than accounts payable arising in the ordinary course of business), whether or not the obligation secured thereby shall have been assumed, (c) all Capitalized Lease Obligations of such Person, all obligations in respect of letters of credit, bankers' acceptances and similar instruments, and all obligations under Interest Hedge Agreements, (d) any "withdrawal liability" of the Parent or any of its Subsidiaries, as such term is defined under Part I of Subtitle E of Title IV of ERISA, (e) all preferred Capital Stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, on or before December 1, 2002, (f) the principal portion of all obligations of such Person under any Synthetic Lease, and (g) any Guaranty of such Person of any obligation of another Person constituting obligations of a type set forth above.

"INDEMNIFIED MATTERS" has the meaning specified in SECTION 5.9(a) hereof.

"INDEMNITEES" has the meaning specified in SECTION 5.9(a) hereof.

"INITIAL PRICING PERIOD" means that period from the Agreement Date to and including the Rate Adjustment Date.

"INSTITUTIONAL DEBT" means unsecured Indebtedness of the Parent which may be raised by the Parent in the private placement or public debt markets, PROVIDED THAT, (a) the maturity date of such Indebtedness is after the Maturity Date, (b) there shall be no scheduled payments or mandatory prepayments or redemptions of such Indebtedness prior to the Maturity Date, (c) the covenants and events of default with respect to such Indebtedness shall be no more restrictive than the covenants and Events of Default set forth herein and (d) all other terms and provisions of such Indebtedness shall be reasonably satisfactory to the Administrative Agent, with only such changes or amendments as are approved by the Administrative Agent.

"INTEREST HEDGE AGREEMENTS" means any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not

limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap, swap or collar protection agreements, and forward rate currency or interest rate options, as the same may be amended or modified and in effect from time to time, and any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"INTEREST PERIOD" means the period beginning on the day any Offshore Advance is made and ending one, two or three, or, subject to availability and agreement by each Lender, six months thereafter (as the Borrowers shall select).

"INVESTMENT" means any direct or indirect purchase or other acquisition of, or beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution to, or investment in any other Person, including without limitation the purchase of accounts receivable of any other Person that are not current assets or do not arise in the ordinary course of business.

"ISSUING BANK" means Bank of America, N.A., a national banking association, in its capacity as issuer of the Letters of Credit.

"JUDGMENT CURRENCY" has the meaning specified in SECTION 11.17 hereof.

"LAW" means any statute, law, ordinance, regulation, rule, order, writ, injunction, or decree of any Tribunal.

"LENDER" means each financial institution shown on the signature pages hereof so long as such financial institution maintains a portion of the Revolving Credit Commitment or is owed any part of the Obligations (including the Administrative Agent in its individual capacity), and each Assignee that hereafter becomes a party hereto pursuant to SECTION 11.6 hereof, subject to the limitations set forth therein.

"L/C RELATED DOCUMENTS" has the meaning specified in SECTION 2.15(e) hereof.

"LETTER OF CREDIT" has the meaning specified in SECTION 2.15(a) hereof.

"LETTER OF CREDIT AGREEMENT" has the meaning specified in SECTION 2.15(b) hereof.

"LETTER OF CREDIT FACILITY" has the meaning specified in SECTION 2.15(a) hereof.

"LEVERAGE RATIO" means, for any date of calculation, the ratio of Total Debt as of the date of calculation to EBITDA calculated for the four consecutive

fiscal quarters immediately preceding the date of calculation. For purpose of calculation of the Leverage Ratio only, EBITDA shall be measured on a pro forma basis and each Person or line of business that was acquired or disposed of during the four fiscal quarter period ending on or before such date of calculation shall be deemed to have been acquired or disposed of on the first day of such period.

"LIEN" means, with respect to any property, any mortgage, lien, pledge, collateral assignment, hypothecation, charge, security interest, title retention agreement, levy, execution, seizure, attachment, garnishment or other similar encumbrance of any kind in respect of such property, whether or not choate, vested or perfected.

"LITIGATION" means any proceeding, claim, lawsuit, arbitration, and/or investigation by or before any Tribunal, including, without limitation, proceedings, claims, lawsuits, and/or investigations under or pursuant to any environmental, occupational, safety and health, antitrust, unfair competition, securities, Tax or other Law, or under or pursuant to any contract, agreement or other instrument.

"LOAN DOCUMENTS" means this Agreement, the Notes, any Subsidiary Guaranty, any Pledge Agreement, any Subordination Agreement, the Fee Letter, any Interest Hedge Agreements entered into with any Lender or any Affiliate of any Lender, and any other document or agreement executed or delivered from time to time by the Parent, any of its Subsidiaries or any other Person in connection herewith or as security for the Obligations.

"MATERIAL ADVERSE EFFECT" means any act or circumstance or event that (a) causes a Default, (b) otherwise could reasonably be expected to be material and adverse to the business, financial condition, results of operations, or business prospects of the Parent and its Subsidiaries taken as a whole, or (c) in any manner whatsoever does or could reasonably be expected to materially and adversely affect the validity or enforceability of any Loan Documents.

"MATERIAL SUBSIDIARY" means each Subsidiary of the Parent or of a Subsidiary of the Parent (a) the gross revenues of which for the then most recently completed four fiscal quarters constituted (or, with respect to any such Subsidiary acquired during such fiscal quarters, would have constituted had the gross revenues of such Subsidiary been included for such period) 5% or more of the

consolidated gross revenues of the Parent and its Subsidiaries for such period or (b) the assets of which as of the end of any fiscal quarter constituted 5% or more of the consolidated assets of the Parent and its Subsidiaries as of the end of such fiscal quarter. For purposes of this Agreement, each of Melcher Holding AG, Melcher AG, Melcher Produktion AG, IPD, Power-Electronics, Inc. and Poder Uno de Mexico, S.A. de C.V. shall at all times be deemed to be a Material Subsidiary.

"MATURITY DATE" means December 1, 2002, or the earlier date of termination in whole of the Revolving Credit Commitment pursuant to SECTION 2.6 or 8.2 hereof.

"MAXIMUM AMOUNT" means the maximum amount of interest which, under Applicable Law, the Lenders are permitted to charge on the Obligations.

"MULTIEMPLOYER PLAN" means, as to any Person, at any time, a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which such Person or any member of its Controlled Group is making, or is obligated to make contributions or has made, or been obligated to make, contributions.

"NATIONSBANK" means Bank of America, N.A., a national banking association, in its capacity as a Lender.

"NECESSARY AUTHORIZATION" means any right, franchise, license, permit, consent, approval or authorization from, or any filing or registration with, any Tribunal or any Person necessary or appropriate to enable the Parent or any of its Subsidiaries to maintain and operate its business and properties.

"NEGATIVE PLEDGE" means any agreement, contract or other arrangement whereby the Parent or any of its Subsidiaries is prohibited from, or would otherwise be in default as a result of, creating, assuming, incurring or suffering to exist, directly or indirectly, any Lien on any of its assets.

"NET CASH PROCEEDS" means, with respect to any sale, lease, transfer or other disposition of any asset or issuance of any Capital Stock or Indebtedness by or of any Person, the amount of cash received by such Person in connection with such transaction (including cash proceeds of any property received in consideration of any such sale, lease, transfer or other disposition) after deducting therefrom the aggregate, without duplication, of the following amounts to the extent properly attributable to such transaction or to the asset that is the subject thereof: (i) reasonable brokerage commissions, legal fees, finder's fees, financial advisory fees, accounting fees, underwriting fees, investment banking fees and other similar commissions and fees, in each case, to the extent paid or payable by such Person; (ii) filing, recording or registration fees or charges or similar fees or charges paid by such Person; (iii) without duplication, taxes paid or payable by such Person or any shareholder, partner or member of such Person to governmental taxing authorities as a result of such sale or other disposition; and (iv) the payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans) that is secured by a Lien on the Capital Stock or assets in question and that is required to

be repaid under the terms thereof as a result of such sale, lease, transfer or other disposition.

"NET INCOME" means, net earnings (or deficit) after taxes of the Parent and its Subsidiaries, on a consolidated basis, determined in accordance with GAAP.

"NET WORTH" means, for the Parent and its Subsidiaries, on a consolidated basis, determined in accordance with GAAP, total assets minus total liabilities.

"NOTICE OF BORROWING" has the meaning specified in SECTION 2.2(a) hereof.

"NOTICE OF CONTINUATION/CONVERSION" has the meaning specified in SECTION 2.2(d) hereof.

"NOTICE OF ISSUANCE" has the meaning specified in SECTION 2.15(b) hereof.

"OBLIGATIONS" means (a) all obligations of any nature (whether matured or unmatured, fixed or contingent, including the Reimbursement Obligations) of the Parent, any of its Subsidiaries or any other Obligor to any Lender or any Affiliate of any Lender under the Loan Documents as they may be amended from time to time, and (b) all obligations of the Parent, any of its Subsidiaries or any other Obligor for losses, damages, expenses or any other liabilities of any kind that any Lender may suffer by reason of a breach by the Parent, any of its Subsidiaries or any other Obligor of any obligation, covenant or undertaking with respect to any Loan Document payable by the Parent, any of its Subsidiaries or any other Obligor under any Loan Document.

"OBLIGOR" means the Borrowers or any other Person liable for performance of any of the Obligations or the property of which secures any of the Obligations.

"OFFSHORE ADVANCE" means any Advance bearing interest at the Offshore Basis.

"OFFSHORE BASIS" means a simple per annum interest rate equal to the lesser of (a) the Highest Lawful Rate, or (b) the sum of the Offshore Dollar Rate or Approved Offshore Currency Rate, as applicable, plus the Applicable Margin. The Offshore Basis shall, with respect to Offshore Advances subject to reserve or deposit requirements, be subject to premiums for such reserve or deposit requirements assessed by each Lender to the extent incurred by such Lender, which are payable directly to each Lender. Once determined, the Offshore Basis shall remain unchanged during the applicable Interest Period.

"OFFSHORE DOLLAR RATE" means, for any Offshore Advance to be made in Dollars for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 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. If for any reason such rate is not available, the term "OFFSHORE DOLLAR RATE" shall mean, for any

Offshore Advance for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior the first day of such Interest Period for a term comparable to such Interest Period; PROVIDED, HOWEVER, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100th of 1%).

"OFFSHORE LENDING OFFICE" means, with respect to a Lender, the office designated as its Offshore Lending Office for Dollar Advances on SCHEDULE 1 attached hereto, and such other office of the Lender or any of its Affiliates hereafter designated by notice to the Borrowers and the Administrative Agent.

"OPERATING LEASE" means any operating lease, as defined in the Financial Accounting Standard Board Statement of Financial Accounting Standards No. 13, dated November, 1976 or otherwise in accordance with GAAP.

"PARTICIPANT" has the meaning specified in SECTION 11.6(c) hereof.

"PARTICIPATION" has the meaning specified in SECTION 11.6(c) hereof.

"PARTICIPATING MEMBER STATE" means each country which from time to time becomes a Participating Member State as described in EMU Legislation.

"PAYMENT DATE" means the last day of the Interest Period for any Offshore Advance.

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

"PEI" means Power-Electronics, Inc., a corporation organized under the laws of the Commonwealth of Puerto Rico.

"PERMITTED LIENS" means, as applied to any Person:

(a) Any Lien to secure the Obligations hereunder;

(b) (i) Liens on real estate for ad valorem taxes not yet delinquent, (ii) Liens on leasehold interests created by the lessor in favor of any mortgagee of the leased premises, and (iii) Liens for taxes, assessments, governmental charges, levies or claims that are not yet delinquent or that are being diligently contested in good faith by appropriate proceedings in accordance with SECTION 5.6 hereof and for which adequate reserves shall have been set aside on such Person's books, but only so long as no foreclosure, restraint, sale or similar proceedings have been commenced with respect thereto;

(c) Liens of carriers, warehousemen, landlords, mechanics, laborers and materialmen and other similar Liens incurred in the ordinary course of business for sums not yet due or being contested in good faith, if such reserve or appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(d) Liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or similar legislation;

(e) Easements, right-of-way, restrictions and other similar encumbrances on the use of real property which do not interfere in any material respect with the ordinary conduct of the business of such Person;

(f) Liens created to secure the purchase price of assets acquired by such Person or created to secure Indebtedness permitted by SECTION 7.1(c) hereof, which is incurred solely for the purpose of financing the acquisition of such assets and incurred at the time of acquisition, so long as each such Lien shall at all times be confined solely to the asset or assets so acquired (and proceeds thereof), and refinancings thereof so long as any such Lien remains solely on the asset or assets acquired and the amount of Indebtedness related thereto is not increased;

(g) Liens in respect of judgments or awards for which appeals or proceedings for review are being prosecuted and in respect of which a stay of execution upon any such appeal or proceeding for review shall have been secured, provided that (i) such Person shall have established adequate reserves for such judgments or awards, (ii) such judgments or awards shall be fully insured (subject to customary deductibles) and the insurer shall not have denied coverage, or (iii) such judgments or awards shall have been bonded to the satisfaction of the Determining Lenders;

(h) Any Liens which are described on SCHEDULE 2 hereto, and Liens resulting from the refinancing of the related Indebtedness, provided that the Indebtedness secured thereby shall not be increased and the Liens shall not cover additional assets of the Parent or any of its Subsidiaries;

(i) Leases or subleases granted to others not interfering in any material respect with the ordinary conduct of the business of the Parent or any of its Subsidiaries;

(j) Liens arising from filing Uniform Commercial Code financing statements for precautionary purposes relating solely to true leases of personal property permitted by this Agreement under which the Parent or any of its Subsidiaries is a lessee;

(k) Any zoning or similar law or right reserved to or vested in any Tribunal to control or regulate the use of any real property;

(l) Any other title exception with respect to real property assets disclosed by any preliminary title report, title commitment report or other search of title provided to the Administrative Agent in accordance with this Agreement unless disapproved by the Administrative Agent prior to the Agreement Date; and

(m) Any Lien in favor of any Lender or any Affiliate of any Lender to secure any obligations owed to such Lender in respect of any Interest Hedge Agreement.

"PERSON" means an individual, corporation, partnership, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

"PLAN" means an employee benefit plan as defined in Section 3(3) of ERISA (including a Multiemployer Plan) pursuant to which any employees of the Parent, its Subsidiaries or any member of their Controlled Group participate.

"PLEDGE AGREEMENT" means any pledge agreement, substantially in the form of EXHIBIT B hereto, as amended, modified, renewed, supplemented or restated from time to time, executed by the Parent with respect to 66% of the issued and outstanding Capital Stock of each Foreign Subsidiary directly owned by the Parent or any Domestic Subsidiary.

"PRETAX CASH FLOW" means, for any period of determination, calculated for the Parent and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) EBITDA for such period, plus (b) lease expense under Operating Leases for such period.

"PRETAX NET INCOME" means net profit (or loss) before taxes of the Parent and its Subsidiaries, on a consolidated basis, determined in accordance with GAAP.

"PRIME RATE" means, at any time, the prime interest rate announced or published by the Administrative Agent from time to time as its reference rate for the determination of interest rates for loans of varying maturities in United States dollars to United States residents of varying degrees of creditworthiness and being quoted at such time by the Administrative Agent as its "prime rate;" it being understood that such rate may not be the lowest rate of interest charged by the Administrative Agent.

"PUM" shall mean Poder Uno de Mexico, S.A. de C.V., a corporation organized under the laws of the United Mexican States.

"QUARTERLY DATE" means the last day of each March, June, September and December, beginning September 30, 1999.

"RATE ADJUSTMENT DATE" means the date that the Lenders receive the financial statements for the fiscal quarter ending June 30, 1999 required to be delivered pursuant to SECTION 6.1.

"REIMBURSEMENT OBLIGATIONS" means, in respect of any Letter of Credit as at any date of determination, the sum of (a) the maximum aggregate amount which is then available to be drawn under such Letter of Credit plus (b) the aggregate amount of all drawings under such Letter of Credit not theretofore reimbursed by the Borrowers.

"RELEASE DATE" means the date on which the Notes have been paid, all other Obligations due and owing have been paid and performed in full, and the Revolving Credit Commitment has been terminated.

"REPORTABLE EVENT" has the meaning set forth in Section 4043(b) of ERISA.

"RESET DATE" means the date on which any Offshore Advance denominated in an Approved Offshore Currency is continued for an additional Interest Period.

"RESTRICTED PAYMENTS" means, collectively, (i) Dividends, and (ii) any (A) payment or prepayment of principal, premium or penalty on any Institutional Debt of the Parent or any or its Subsidiaries or any defeasance, redemption, purchase, repurchase or other acquisition or retirement for value, in whole or in part, of any Institutional Debt (including, without limitation, the setting aside of assets or the deposit of funds therefor) and (B) prepayment of interest on any Institutional Debt.

"REVOLVING COMMITMENT FEE" has the meaning specified in SECTION 2.4(a) hereof.

"REVOLVING CREDIT ADVANCE" means an Advance made pursuant to SECTION 2.1(a) hereof.

"REVOLVING CREDIT COMMITMENT" means $65,000,000.00.

"REVOLVING CREDIT NOTE" means the Promissory Note of the Borrowers evidencing Revolving Credit Advances hereunder, substantially in the form of EXHIBIT A hereto, together with any extension, renewal, or amendment thereof, or substitution therefor.

"RIGHTS" means rights, remedies, powers and privileges.

"SHAREHOLDER CONTRIBUTION" means any contribution of cash to the Parent or any of its Subsidiaries made by any shareholder of the Parent or any of its Affiliates which is used by the Parent for Capital Expenditures or Acquisitions or pursuant to SECTION 8.1(c) hereof.

"SOLVENT" means, with respect to any Person, that the fair value of the assets of such Person (both at fair valuation and at present fair saleable value) is, on the date of determination, greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person

as of such date and that, as of such date, such Person is able to pay all liabilities of such Person as such liabilities mature and such Person does not have unreasonably small capital with which to carry on its business. In computing the amount of contingent or unliquidated

liabilities at any time, such liabilities will be computed at the amount which, 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 discounted to present value at rates believed to be reasonable by such Person.

"SPECIAL COUNSEL" means the law firm of Donohoe, Jameson & Carroll, P.C., or such other legal counsel as the Administrative Agent may select.

"SPECIFIED PERCENTAGE" means, as to any Lender, the percentage indicated beside its name on the signature pages hereof, or if applicable, specified in its most recent Assignment Agreement.

"SUBORDINATION AGREEMENT" means any Subordination Agreement, executed by one or more Subsidiaries of the Parent, substantially in the form of EXHIBIT F hereto, as amended, modified, renewed, supplemented or restated from time to time.

"SUBSEQUENT PARTICIPANT" means each country that adopts the Euro as its lawful currency after January 1, 1999.

"SUBSEQUENT PRICING PERIOD" means the period from the date which is the first day following the end of the Initial Pricing Period to the Maturity Date.

"SUBSIDIARY" of any Person means any corporation, partnership, joint venture, trust or estate or other Person of which (or in which) more than 50% of:

(a) the outstanding capital stock having voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency),

(b) the interest in the capital or profits of such partnership or joint venture,

(c) the beneficial interest of such trust or estate, or

(d) the equity interest of such other Person,

is at the time directly or indirectly owned by such Person, by such Person

and one or more of its Subsidiaries or by one or more of such Person's Subsidiaries.

"SUBSIDIARY GUARANTY" means any Subsidiary Guaranty, executed by one or more Domestic Subsidiaries, substantially in the form of EXHIBIT E hereto, as amended, modified, renewed, supplemented or restated from time to time.

"SYNTHETIC LEASES" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but which is classified as an Operating Lease pursuant to GAAP.

"TARGET BUSINESS DAY" is a day when TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system), or any successor thereto, is scheduled to be open for business.

"TAXES" has the meaning specified in SECTION 2.14 hereof.

"TOTAL DEBT" means, as of any date of determination, determined for the Parent and its Subsidiaries on a consolidated basis, without duplication, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services other than trade payables incurred in the ordinary course of business, and (iv) Capitalized Lease Obligations.

"TREATY" means the Treaty establishing the European Economic Community, being the Treaty of Rome of March 25, 1957 as amended by the single European Act 1986 and the Maastricht Treaty (which was signed on February 7, 1992 and came into force on November 1, 1993) as amended, varied or supplemented from time to time.

"TRIBUNAL" means any state, commonwealth, federal, foreign, territorial, or other court or government body, subdivision, agency, department, commission, board, bureau, or instrumentality of a governmental or other regulatory body or authority.

"UCC" means the Uniform Commercial Code of Texas, as amended from time to time, and the Uniform Commercial Code applicable in such other states as any Collateral may be located.

"UNUSED PORTION" means an amount equal to the result of (i) the Revolving Credit Commitment minus (ii) the sum of (A) the outstanding Revolving Credit Advances plus (B) outstanding Reimbursement Obligations in respect of the Letters of Credit less the amount of Cash Collateralized Letters of Credit. The Unused Portion shall be calculated with respect to (a) each Offshore Advance in an Approved Offshore Currency by assuming that the Dollar Equivalent for such Approved Offshore Currency in effect on the (i) date of such Offshore Advance

remains the same for each day from such date to the immediately following Quarterly Date, and (ii) last day of each Quarterly Date thereafter was the rate in effect for each day during the calendar quarter ending on such Quarterly Date and (b) Reimbursement Obligations in respect of Letters of Credit denominated in an Approved Offshore Currency by assuming that the Dollar Equivalent for such Approved Offshore Currency in effect on the last day of each Quarterly Date was the rate in effect for each day during the calendar quarter ending on such Quarterly Date.

Section 1.2 AMENDMENTS AND RENEWALS. Each definition of an agreement in this ARTICLE 1 shall include such agreement as amended to date, and as amended or renewed from time to time in accordance with its terms, but only with the prior written consent of the Determining Lenders or all the Lenders as required pursuant to SECTION 11.11 hereof.

Section 1.3 CONSTRUCTION. The terms defined in this ARTICLE 1 (except as otherwise expressly provided in this Agreement) for all purposes shall have the meanings set forth in SECTION 1.1 hereof, and the singular shall include the plural, and vice versa, unless otherwise specifically required by the context. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with GAAP on a consolidated basis for the Parent and its Subsidiaries, unless otherwise expressly stated herein.

ARTICLE 2

REVOLVING CREDIT ADVANCES

Section 2.1 THE REVOLVING CREDIT ADVANCES.

(a) Each Lender severally agrees, upon the terms and subject to the conditions of this Agreement, to make Revolving Credit Advances to the Borrowers in Dollars and Approved Offshore Currencies from time to time in an aggregate amount not to exceed its Specified Percentage of the Revolving Credit Commitment less its Specified Percentage of the remainder of (i) the aggregate amount of all Reimbursement Obligations then outstanding (assuming compliance with all conditions to drawing) minus (ii) the outstanding amount of Cash Collateralized Letters of Credit for the purposes set forth in SECTION 5.9 hereof; PROVIDED, HOWEVER, notwithstanding anything herein to the contrary, in no event shall the Dollar Equivalent of the principal amount of all Advances and Reimbursement Obligations outstanding in Approved Offshore Currencies exceed the Approved Offshore Currency Borrowing Limit. Subject to SECTION 2.9 hereof, Revolving Credit Advances may be repaid and then reborrowed. Notwithstanding any provision in any Loan Document to the contrary, in no event shall the Dollar Equivalent principal amount of all outstanding Revolving Credit Advances exceed the Revolving Credit Commitment minus the remainder of (i) the Dollar Equivalent outstanding Reimbursement Obligations minus (ii) the Dollar Equivalent outstanding amount of Cash Collateralized Letters of Credit.

(b) Any Revolving Credit Advance shall, at the option of the Borrower as provided in SECTION 2.2 hereof (and, in the case of Offshore Advances, subject to the provisions of ARTICLE 9 hereof), be made as a Base Rate Advance or an Offshore Advance; provided that there shall not be outstanding to any Lender, at any one time, more than ten Offshore Advances.

Section 2.2 MANNER OF BORROWING AND DISBURSEMENT.

(a) In the case of Base Rate Advances, the Borrowers, through an Authorized

Signatory, shall give the Administrative Agent prior to 11:00 a.m., Dallas, Texas time, on the date of any proposed Base Rate Advance irrevocable written notice, or irrevocable telephonic notice followed immediately by written notice substantially in the form of EXHIBIT G hereto (a "NOTICE OF BORROWING") (provided, however, that the Borrowers' failure to confirm any telephonic notice in writing shall not invalidate any notice so given), of their intention to borrow a Base Rate Advance hereunder. Such Notice of Borrowing shall specify the requested funding date, which shall be a Business Day, and the amount of the proposed aggregate Base Rate Advances to be made by Lenders.

(b) In the case of Offshore Advances, the Borrowers, through an Authorized Signatory, shall give the Administrative Agent at least three Business Days' (or four Business Days', if such Advance is to be made in an Approved Offshore Currency) irrevocable written notice, or irrevocable telephonic notice followed immediately by written notice pursuant to a Notice of Borrowing (provided, however, that the Borrowers' failure to confirm any telephonic notice in writing shall not invalidate any notice so given), of its intention to borrow an Offshore Advance hereunder. Notice shall be given to the Administrative Agent prior to 11:00 a.m., Dallas, Texas time, in order for such Business Day to count toward the minimum number of Business Days required. Offshore Advances shall in all cases be subject to ARTICLE 9 hereof. For Offshore Advances, the Notice of Borrowing shall specify the requested funding date, which shall be a Business Day, whether such Advance is to be made in Dollars or in an Approved Offshore Currency and specifying such Approved Offshore Currency, the amount of the proposed aggregate Offshore Advances to be made by Lenders and the Interest Period selected by the Borrowers, provided that no such Interest Period shall extend past the Maturity Date, or prohibit or impair the Borrowers' ability to comply with SECTION 2.8 hereof.

(c) Subject to SECTIONS 2.1 and 2.9 hereof, the Borrowers shall have the option (i) to convert at any time all or any part of the outstanding (A) Base Rate Advances to Offshore Advances or (B) Offshore Advances to Base Rate Advances or (ii) upon expiration of any Interest Period applicable to an Offshore Advance, to continue all or any portion of such Offshore Advance equal to $500,000 and integral multiples of $100,000 (or the Dollar Equivalent of each

such amount) in excess of that amount as an Offshore Advance and the succeeding Interest Period(s) of such continued Offshore Advance shall commence on the last day of the Interest Period of the Offshore Advance to be continued; provided, however, (a) Offshore Advances may only be converted into Base Rate Advances on the expiration date of the Interest Period applicable thereto and (b) notwithstanding anything in this Agreement to the contrary, no outstanding Advance may be continued as, or converted into, an Offshore Advance when any Default or Event of Default has occurred and is continuing. At least three Business Days (or four Business Days prior to a proposed conversion to an Offshore Advance in an Approved Offshore Currency) prior to a proposed conversion/continuation date, the Borrowers, through an Authorized Signatory, shall give the Administrative Agent irrevocable written notice, or irrevocable telephonic notice followed immediately by written notice in substantially the form of EXHIBIT H hereto (a "NOTICE OF CONTINUATION/CONVERSION") (provided, however, that the Borrowers' failure to confirm any telephonic notice in writing shall not invalidate any notice so

given), stating (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount of the Advance to be converted/continued, (iii) in the case of a conversion to, or a continuation of, an Offshore Advance, the requested Interest Period, (iv) in the case of a conversion of a Base Rate Advance to an Offshore Advance or continuation of an Offshore Advance, stating that no Default or Event of Default has occurred and is continuing, and (v) whether such Advance to be converted/continued is to be made in Dollars or an Approved Offshore Currency, and specifying such Approved Offshore Currency. If the Borrowers, through an Authorized Signatory, shall fail to give any notice in accordance with this SECTION 2.2(c), the Borrowers shall be deemed irrevocably to have requested that such Offshore Advance be converted to a Base Rate Advance in the same principal amount. Notice shall be given to the Administrative Agent prior to 11:00 a.m., Dallas, Texas time, in order for such Business Day to count toward the minimum number of Business Days required.

(d) The aggregate amount of Base Rate Advances to be made by the Lenders on any day shall be in a principal amount which is at least $250,000 and which is an integral multiple of $100,000; provided, however, that such amount may equal the unused amount of the Revolving Credit Commitment. The aggregate amount of Offshore Advances having the same Interest Period and to be made by the Lenders on any day shall be in a principal amount which is at least $500,000 and which is an integral multiple of $100,000 (or the Dollar Equivalent of each such amount on the date of such Advance).

(e) The Administrative Agent shall promptly notify the Lenders of each notice received from the Borrowers pursuant to this Section. If such notice from the Borrowers designated an Approved Offshore Currency, the Administrative Agent shall promptly notify the Borrowers and the Lenders of the Dollar Equivalent thereof. Each Lender shall, not later than noon, Dallas, Texas time, on the date of any Revolving Credit Advance, deliver to the Administrative

Agent, at its address set forth herein, such Lender's Specified Percentage of such Revolving Credit Advance in immediately available funds in accordance with the Administrative Agent's instructions, except that if such Advance is denominated in an Approved Offshore Currency, each Lender shall make available its funds at such office as the Administrative Agent has previously specified in a notice to each Lender, in such funds as are then customary for the settlement of international transactions in the applicable Approved Offshore Currency and no later than such local time as is necessary for such funds to be received and transferred to the appropriate Borrower for same day value on the date of such Advance. Prior to 2:00 p.m., Dallas, Texas time, on the date of any Revolving Credit Advance hereunder, the Administrative Agent shall, subject to satisfaction of the conditions set forth in ARTICLE 3, disburse the amounts made available to the Administrative Agent by the Lenders by (i) transferring such amounts by wire transfer pursuant to the Borrowers' instructions, or (ii) in the absence of such instructions, crediting such amounts to the account of the appropriate Borrower maintained with the Administrative Agent. All Revolving Credit Advances shall be made by each Lender according to its Specified Percentage.

Section 2.3 INTEREST.

(a) ON BASE RATE ADVANCES.

(i) The Borrowers shall pay interest on the outstanding unpaid principal amount of the Base Rate Advances outstanding from time to time, until such Base Rate Advances are due (whether at maturity, by reason of acceleration, by scheduled reduction, or otherwise) and repaid at a simple interest rate per annum equal to the Base Rate Basis for the Base Rate Advances as in effect from time to time, provided that interest on the Base Rate Advances shall not exceed the Maximum Amount. If at any time the Base Rate Basis would exceed the Highest Lawful Rate, interest payable on the Base Rate Advances shall be limited to the Highest Lawful Rate, but the Base Rate Basis shall not thereafter be reduced below the Highest Lawful Rate until the total amount of interest accrued on the Base Rate Advances equals the amount of interest that would have accrued if the Base Rate Basis had been in effect at all times.

(ii) Interest on the Base Rate Advances shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, and shall be payable in arrears on each Quarterly Date and on the Maturity Date.

(b) ON OFFSHORE ADVANCES.

(i) The Borrowers shall pay interest on the unpaid principal amount of each Offshore Advance, from the date such Advance is made until it is due (whether at maturity, by reason of acceleration, by scheduled

reduction, or otherwise) and repaid, at a rate per annum equal to the Offshore Basis for such Offshore Advance. The Administrative Agent, whose determination shall be controlling in the absence of manifest error, shall determine the Offshore Basis on the second Business Day prior to the applicable funding date and shall notify the Borrowers and the Lenders of such Offshore Basis.

(ii) Subject to SECTION 11.9 hereof, interest on each Offshore Advance shall be computed on the basis of a 360-day year for the actual number of days elapsed, and shall be payable in arrears on the applicable Payment Date and on the Maturity Date; provided, however, that if the Interest Period for such Offshore Advance exceeds three months, interest shall also be due and payable in arrears on each three-month anniversary of the commencement of such Interest Period during such Interest Period.

(c) INTEREST AFTER AN EVENT OF DEFAULT. (i) After an Event of Default (other than an Event of Default specified in SECTION 8.1(f) or (g) hereof) and during any continuance thereof, at the option of Determining Lenders and provided that the Administrative Agent has given notice of the decision to charge interest at the Default Rate, and (ii) after an Event of Default specified in SECTION 8.1(f) or (g) hereof and during any continuance thereof, automatically and without any action or notice by the Administrative Agent or any Lender, the Obligations shall bear interest at

a rate per annum equal to the Default Rate. Such interest shall be payable on the earlier of demand or the Maturity Date, and shall accrue until the earlier of (i) waiver or cure (to the satisfaction of the Determining Lenders) of the applicable Event of Default, (ii) agreement by the Determining Lenders to rescind the charging of interest at the Default Rate, or (iii) payment in full of the Obligations. The Lenders shall not be required to accelerate the maturity of the Advances, to exercise any other rights or remedies under the Loan Documents, or in case of an Event of Default specified in clause (ii)hereof, to give notice to the Borrowers of the decision to charge interest at the Default Rate.

Section 2.4 FEES.

(a) REVOLVING COMMITMENT FEE. Subject to SECTION 11.9 hereof, the Borrowers agree to pay to the Administrative Agent, for the ratable account of the Lenders, a commitment fee on the daily average Unused Portion at the following per annum percentages, applicable in the following situations:

	Applicability	Percentage
(a)	Initial Pricing Period	0.500
(b)	Subsequent Pricing Period	
	(i) If the Leverage Ratio is greater than or equal	0.500

	to 1.75 to 1	
(ii)	If the Leverage Ratio is greater than or equal to 1.00 to 1 but is less than 1.75 to 1	0.375
(iii)	If the Leverage Ratio is less than 1.00 to 1	0.300

Such fee shall be (i) payable in arrears on each Quarterly Date and on the Maturity Date, (ii) fully earned when due and, subject to SECTION 11.9 hereof, nonrefundable when paid and (iii) subject to SECTION 11.9 hereof, computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. The commitment fee shall be subject to reduction or increase, as applicable and as set forth in the table above, on a quarterly basis (except as otherwise provided in SECTION 7.6 hereof) by using the Leverage Ratio calculated as of the end of each fiscal quarter during the Subsequent Pricing Period. Any such increase or decrease in the commitment fee shall be effective two Business Days after the date of receipt of the financial statements required to be delivered pursuant to SECTION 6.1 or 6.2 hereof, as applicable, for each such fiscal quarter, and the Compliance Certificate required pursuant to SECTION 6.3 hereof. If such financial statements and Compliance Certificate are not received by the date required hereunder, the commitment fee shall be determined as if the Leverage Ratio is greater than or equal to 2.50 to 1 until such time as such financial statements and Compliance Certificate are received.

(b) OTHER FEES. Subject to SECTION 11.9 hereof, the Borrowers agree to pay to the Administrative Agent, the fees on the dates and in the amounts specified in the letter agreement (the "FEE LETTER"), dated as of April 22, 1999, among the Parent, the Administrative Agent and Banc of America Securities LLC.

Section 2.5 PREPAYMENTS.

(a) VOLUNTARY OFFSHORE ADVANCE PREPAYMENTS. Upon three Business Days' prior telephonic notice (to be promptly followed by written notice) by an Authorized Signatory to the Administrative Agent, Offshore Advances may be voluntarily prepaid but only so long as the Borrowers concurrently reimburse the Lenders in accordance with SECTION 2.9 hereof. Any notice of prepayment shall be irrevocable.

(b) MANDATORY PREPAYMENT. On or before the date of any reduction of the Revolving Credit Commitment, the Borrowers shall prepay applicable outstanding Revolving Credit Advances and/or cash collateralize Letters of Credit in an amount necessary to reduce the sum of outstanding Revolving Credit Advances and Reimbursement Obligations less Cash Collateralized Letters of Credit to an amount less than or equal to the Revolving Credit Commitment as so reduced. To the extent required by the preceding sentence, the Borrowers shall first prepay all Base Rate Advances, and shall thereafter prepay Offshore Advances. To the extent that any prepayment requires that an Offshore Advance be repaid on a date other than the last day of its Interest Period, the Borrowers shall reimburse

each Lender in accordance with SECTION 2.9 hereof. To the extent that outstanding Revolving Credit Advances exceed the Revolving Credit Commitment after any reduction thereof, the Borrowers shall repay any such excess amount and all accrued interest attributable to such excess Revolving Credit Advances on the date of such reduction. Furthermore, if on any Reset Date, the Dollar Equivalent of all outstanding Revolving Credit Advances, PLUS the Dollar Equivalent of all outstanding Reimbursement Obligations MINUS the Dollar Equivalent of all outstanding Cash Collateralized Letters of Credit exceeds the Revolving Credit Commitment as a result of a change in Dollar Equivalents ("DOLLAR EQUIVALENT EXCESS"), then, within two Business Days after notice thereof from the Administrative Agent, the Borrowers shall prepay Advances in an amount equal to the Dollar Equivalent Excess.

(c) PREPAYMENTS FROM SALES OF ASSETS. Not later than one Business Day after the receipt of Net Cash Proceeds from the sale or disposition by the Parent or any of its Subsidiaries of any assets (other than the sale or disposition of (i) inventory in the ordinary course of business, (ii) obsolete or worn-out assets, (iii) assets, the Net Cash Proceeds of which are to be reinvested as provided in SECTION 7.5(c) hereof, and (iv) assets of a value (determined at the greater or book or fair market value) in an aggregate amount during any Fiscal Year not in excess of $1,000,000), the Borrowers shall prepay Revolving Credit Advances in a principal amount equal to the amount of such Net Cash Proceeds. Any such prepayments shall be applied to permanently reduce the Revolving Credit Commitment.

(d) PREPAYMENT FROM SALE OF CAPITAL STOCK. Not later than one Business Day after the receipt of Net Cash Proceeds from the issuance or sale by the Parent or any of its Subsidiaries of any Capital Stock of the Parent or any of its Subsidiaries (excluding (i) all such Net Cash Proceeds to be applied by the Parent or any of its Subsidiaries to amounts owed in connection

with any Acquisition permitted hereunder, including without limitation, repayment of Indebtedness and (ii) issuances of Capital Stock in the ordinary course of business to employees, directors and officers and pursuant to exercises of stock options, the Borrowers shall prepay Revolving Credit Advances in a principal amount equal to the amount of such Net Cash Proceeds. Any such prepayments shall be applied to permanently reduce the Revolving Credit Commitment.

(e) PREPAYMENT FROM SALE OF INSTITUTIONAL DEBT. Not later than one Business Day after the receipt of Net Cash Proceeds from the issuance of any Institutional Debt by the Parent, the Borrowers shall prepay Revolving Credit Advances in a principal amount equal to the amount of such Net Cash Proceeds. Any such prepayments shall be applied to permanently reduce the Revolving Credit Commitment.

(f) PAYMENTS, GENERALLY. Any prepayment of any Revolving Credit Advance shall be accompanied by interest accrued on the principal amount being prepaid.

Any voluntary partial payment of a Base Rate Advance shall be in a principal amount which is at least $250,000 and which is an integral multiple of $100,000. Any voluntary partial payment of an Offshore Advance shall be in a principal amount which is at least $500,000 and which is an integral multiple of $100,000 (or the Dollar Equivalent thereof), and to the extent that any prepayment of an Offshore Advance is made on a date other than the last day of its Interest Period, the Borrowers shall reimburse each Lender in accordance with SECTION 2.9 hereof.

Section 2.6 REDUCTION OF REVOLVING CREDIT COMMITMENT.

(a) VOLUNTARY REDUCTION. The Borrowers shall have the right, upon not less than 5 Business Days' notice by an Authorized Signatory to the Administrative Agent (if telephonic, to be confirmed by telex or in writing on or before the date of reduction or termination), which shall promptly notify the Lenders, to terminate or reduce the Revolving Credit Commitment, in whole or in part. Each partial termination shall be in an aggregate amount which is at least $1,000,000 and which is an integral multiple of $100,000, and no voluntary reduction in the Revolving Credit Commitment shall cause any Offshore Advance to be repaid prior to the last day of its Interest Period unless the Parent shall reimburse each Lender in accordance with SECTION 2.9 hereof.

(b) MANDATORY REDUCTION. The Revolving Credit Commitment shall be automatically reduced to zero on the Maturity Date.

(c) GENERAL REQUIREMENTS. Upon a reduction of the Revolving Credit Commitment pursuant to this Section, the Borrowers shall immediately make a repayment of the Revolving Credit Advances in accordance with SECTION 2.5(b) hereof. The Borrowers shall reimburse each Lender in connection with any such payment in accordance with SECTION 2.9 hereof to the extent applicable. The Borrowers shall not have any right to rescind any termination or reduction. Once reduced, the Revolving Credit Commitment may not be increased or reinstated.

Section 2.7 NON-RECEIPT OF FUNDS BY THE ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have been notified by a Lender prior to the date of any proposed Revolving Credit Advance (which notice shall be effective upon receipt) that such Lender does not intend to make the proceeds of such Revolving Credit Advance available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such proceeds available to the Administrative Agent on such date, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such amount on demand from such Lender (or, if such Lender fails to pay such amount forthwith upon such demand, from the Borrowers) together with interest thereon in respect of each day during the period commencing on the date such amount was available to the Borrowers and

ending on (but excluding) the date the Administrative Agent receives such amount from the Lender, with interest thereon at a per annum rate equal to the lesser of (i) the Highest Lawful Rate or (ii) the Federal Funds Rate, with respect to an Advance to be made in Dollars, or at a per annum rate equal to the lesser of (i) the Highest Lawful Rate or (ii) the Administrative Agent's cost of funds for the Applicable Currency computed on the same basis as regular interest on Advances made hereunder in such Applicable Currency, with respect to an Advance to be made in an Approved Offshore Currency. No Lender shall be liable for any other Lender's failure to fund a Revolving Credit Advance hereunder.

Section 2.8 PAYMENT OF PRINCIPAL OF REVOLVING CREDIT ADVANCES. To the extent not otherwise required to be paid earlier as provided herein, the principal amount of the Revolving Credit Advances, all accrued interest and fees thereon, and all other Obligations related thereto, shall be due and payable in full on the Maturity Date.

Section 2.9 REIMBURSEMENT. Whenever any Lender shall sustain or incur (other than through a default by that Lender) any losses or reasonable out-of-pocket expenses in connection with (a) failure by any Borrower to borrow any Offshore Advance after having given notice of its intention to borrow in accordance with SECTION 2.2 hereof (whether by reason of any Borrower's election not to proceed or the non-fulfillment of any of the conditions set forth in ARTICLE 3 hereof), (b) any prepayment for any reason of any Offshore Advance in whole or in part (including a prepayment pursuant to SECTION 9.3(b) hereof) on other than the last day of an Interest Period applicable to such Offshore Advance or (c) any prepayment of any of its Offshore Advances that is not made on any date specified in a notice of prepayment given by any Borrower, the Borrowers agree to pay to any such Lender, within 30 days after demand by such Lender, an amount sufficient to compensate such Lender for all such losses and out-of-pocket expenses, subject to SECTION 11.9 hereof. Such losses shall include, without limiting the generality of the foregoing, reasonable expenses incurred by such Lender in connection with the re-employment of funds prepaid, repaid, converted or not borrowed, converted or paid, as the case may be. A certificate as to any amounts payable to any Lender under this SECTION 2.9 submitted to the Borrowers by such Lender shall certify that such amounts were actually incurred

by such Lender and shall show in reasonable detail an accounting of the amount payable and the calculations used to determine in good faith such amount and shall be conclusive absent manifest or demonstrable error. Nothing in this SECTION 2.9 shall provide the Parent or any of its Subsidiaries the right to inspect the records, files or books of any Lender.

Section 2.10 MANNER OF PAYMENT.

(a) Each payment (including prepayments) by the Borrowers of the principal

of or interest on the Revolving Credit Advances, fees, and any other amount owed under this Agreement or any other Loan Document shall be made not later than 12:00 noon (Dallas, Texas time) on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's office (or the Approved Offshore Currency Payment Office, if payment is made in respect of an Approved Offshore Currency Advance or Letter of Credit), in immediately available funds. Except as provided in SECTION 9.4 hereof, such payments shall be made in the Applicable Currency borrowed.

(b) If any payment under this Agreement or any other Loan Document shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day, unless, with respect to a payment due in respect of an Offshore Advance, such Business Day falls in another calendar month, in which case payment shall be made on the preceding Business Day. Any extension of time shall in such case be included in computing interest and fees, if any, in connection with such payment.

(c) The Borrowers agree to pay principal, interest, fees and all other amounts due under the Loan Documents without deduction for set-off or counterclaim or any deduction whatsoever.

(d) If some but less than all amounts due from the Borrowers are received by the Administrative Agent, the Administrative Agent shall apply such amounts in the following order of priority: (i) to the payment of the Administrative Agent's expenses incurred on behalf of the Lenders then due and payable, if any; (ii) to the payment of all other fees then due and payable; (iii) to the payment of interest then due and payable on the Revolving Credit Advances; (iv) to the payment of all other amounts not otherwise referred to in this clause (d) then due and payable under the Loan Documents; and (v) to the payment of principal then due and payable on the Revolving Credit Advances.

(e) The Administrative Agent shall not be liable to any party to this Agreement in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount denominated in Euro, unless and to the extent that such delay is the result of gross negligence or wilful misconduct of the Administrative Agent.

Section 2.11 LENDING OFFICES. Each Lender's initial Lending Office for Base Rate Advances and Offshore Advances in Dollars and Approved Offshore Currencies, as appropriate,

is set forth opposite its name in SCHEDULE 1 attached hereto. Each Lender shall have the right at any time and from time to time to designate a different office of itself or of any Affiliate of such Lender as such Lender's Lending Office for Base Rate Advances and Offshore Advances, as appropriate, and to transfer any outstanding Offshore Advance or Base Rate Advance to such Lending Office. No such designation or transfer shall result in any liability on the part of the Borrowers for increased costs or expenses

resulting solely from such designation or transfer (except any such transfer which is made by a Lender pursuant to SECTION 9.2 or 9.3 hereof, or otherwise for the purpose of complying with Applicable Law). Increased costs for expenses resulting from a change in law occurring subsequent to any such designation or transfer shall be deemed not to result solely from such designation or transfer.

Section 2.12 SHARING OF PAYMENTS. Any Lender obtaining a payment (whether voluntary or involuntary, due to the exercise of any right of set-off, or otherwise) on account of its Advances (other than pursuant to SECTIONS 2.14, 2.15(d), 2.15(f)(II), 9.3, 9.4, or 9.6) in excess of its Specified Percentage of all payments made by the Borrowers with respect to Revolving Credit Advances shall purchase from each other Lender such participation in the Revolving Credit Advances made by such other Lender as shall be necessary to cause such purchasing Lender to share the excess payment pro rata according to Specified Percentages with each other Lender; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section, to the fullest extent permitted by law, may exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

Section 2.13 CALCULATION OF OFFSHORE DOLLAR RATE. The provisions of this Agreement relating to calculation of the Offshore Dollar Rate and Approved Offshore Currency Rate are included only for the purpose of determining the rate of interest or other amounts to be paid hereunder that are based upon such rate, it being understood that each Lender shall be entitled to fund and maintain its funding of all or any part of an Offshore Advance as it sees fit.

Section 2.14 TAXES.

(a) Any and all payments by the Borrowers hereunder shall be made, in accordance with SECTION 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, EXCLUDING, in the case of each Lender and the Administrative Agent, taxes imposed on, based upon or measured by its overall net income, net worth or capital, and franchise taxes, doing business taxes or minimum taxes imposed on it, (i) by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized and in which it has its applicable lending office or any political subdivision thereof; (ii) by any other jurisdiction, or any political subdivision thereof, other than those imposed by reason of (A) an asserted relation

of such jurisdiction to the transactions contemplated by this Agreement, (B)

the activities of any Borrower in such jurisdiction, or (C) the activities in connection with the transactions contemplated by this Agreement of a Lender or the Administrative Agent; (iii) by reason of failure by the Lender or the Administrative Agent to comply with the requirements of paragraph (e) of this SECTION 2.14; and (iv) in the case of any Lender, any Taxes in the nature of transfer, stamp, recording or documentary taxes resulting from a transfer (other than as a result of foreclosure) by such Lender of all or any portion of its interest in this Agreement, the Notes or any other Loan Documents (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrowers shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, (x) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 2.14) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (y) the Borrowers shall make such deductions and (z) the Borrowers shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrowers agree to pay any and all stamp and documentary taxes and any and all other excise and property taxes, charges and similar levies (other than Taxes described in clause (iv) of the first sentence of SECTION 2.14(a)) that 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 Document (hereinafter referred to as "OTHER TAXES").

(c) The Borrowers will indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this SECTION 2.14) paid by such Lender or the Administrative Agent (as the case may be) and all liabilities (including penalties, additions to tax, interest and reasonable expenses) arising therefrom or with respect thereto whether or not such Taxes or Other Taxes were correctly or legally asserted, other than penalties, additions to tax, interest and expenses arising as a result of gross negligence or wilful misconduct on the part of such Lender or the Administrative Agent, PROVIDED, HOWEVER, that the Borrowers shall have no obligation to indemnify such Lender or the Administrative Agent unless and until such Lender or the Administrative Agent shall have delivered to the Borrowers a certificate certifying that such Taxes or Other Taxes (and/or penalties, additions to tax, interest and reasonable expenses) were actually incurred by such Lender or the Administrative Agent and showing in reasonable detail an accounting of the amount payable and the calculations used to determine in good faith such amount, which certificate shall be conclusive absent manifest or demonstrable error. Nothing in this SECTION 2.14 shall provide the Parent or any of its Subsidiaries the right to inspect the records, files or books of any Lender or the Administrative Agent. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrowers will furnish

to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof. For purposes of this SECTION 2.14 the terms "UNITED STATES" and "UNITED STATES PERSON" shall have the meanings set forth in Section 7701 of the Code.

(e) Each Lender which is not a United States Person hereby agrees that:

(i) it shall, no later than the Agreement Date (or, in the case of a Lender which becomes a party hereto pursuant to SECTION 11.6 after the Agreement Date, the date upon which such Lender becomes a party hereto) deliver to the Borrowers through the Administrative Agent, with a copy to the Administrative Agent:

(A) if any lending office is located in the United States of America, two (2) accurate and complete signed originals of Internal Revenue Service Form 4224 or any successor thereto ("FORM 4224"),

(B) if any lending office is located outside the United States of America, two (2) accurate and complete signed originals of Internal Revenue Service Form 1001 or any successor thereto ("FORM 1001").

in each case indicating that such Lender is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such lending office or lending offices under this Agreement free from withholding of United States Federal income tax;

(ii) if at any time such Lender changes its lending office or lending offices or selects an additional lending office it shall, at the same time or reasonably promptly thereafter but only to the extent the forms previously delivered by it hereunder are no longer effective, deliver to the Borrowers through the Administrative Agent, with a copy to the Administrative Agent, in replacement for the forms previously delivered by it hereunder:

(A) if such changed or additional lending office is located in the United States of America, two (2) accurate and complete signed originals of Form 4224; or

(B) otherwise, two (2) accurate and complete signed originals of Form 1001, in each case indicating that such Lender is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such changed or additional lending office under this Agreement free from

withholding of United States Federal income tax;

(iii) it shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in clause (ii) above) requiring a

change in the most recent Form 4224 or Form 1001 previously delivered by such Lender and if the delivery of the same be lawful, deliver to the Borrowers through the Administrative Agent with a copy to the Administrative Agent, two (2) accurate and complete original signed copies of Form 4224 or Form 1001 in replacement for the forms previously delivered by such Lender;

(iv) it shall, promptly upon the request of the Borrowers to that effect, deliver to the Borrowers such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Lender's tax status for withholding purposes; and

(v) it shall notify the Borrowers within 30 days after any event (including an amendment to, or a change in any applicable law or regulation or in the written interpretation thereof by any regulatory authority or any judicial authority, or by ruling applicable to such Lender of any governmental authority charged with the interpretation or administration of any law) shall occur that results in such Lender no longer being capable of receiving payments without any deduction or withholding of United States federal income tax.

(f) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this SECTION 2.14 shall survive the payment in full of principal and interest hereunder.

(g) Each Lender (and the Administrative Agent with respect to payments to the Administrative Agent for its own account) agrees that (i) it will take all reasonable actions by all usual means to maintain all exemptions, if any, available to it from United States withholding taxes (whether available by treaty, existing administrative waiver or by virtue of the location of any Lender's lending office), (ii) it will use reasonable best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its lending office, if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts which may thereafter accrue and would not, in the reasonable judgment of such Lender, be materially disadvantageous to such Lender, and (iii) otherwise cooperate with the Borrowers to minimize amounts payable by the Borrowers under this SECTION 2.14; PROVIDED, HOWEVER, the Lenders and the Administrative Agent shall not be obligated by reason of this SECTION 2.14(g) to contest the payment of any Taxes or Other Taxes or to disclose any information regarding its tax affairs or

tax computations or reorder its tax or other affairs or tax or other planning. Subject to the foregoing, to the extent the Borrowers pay sums pursuant to this SECTION 2.14 and the Lender or the Administrative Agent receives a refund of any or all of such sums, such refund shall be applied to reduce any amounts then due and owing under this Agreement or, to the extent that no amounts are due and owing under this Agreement at the time such refunds are received, the party receiving such refund shall promptly pay over all such refunded sums to the Borrowers, provided that no Default or Event of Default is in existence at such time.

(h) If the Borrowers become obligated to pay additional amounts described in this SECTION 2.14 to any Lender, the Borrowers may designate a financial institution reasonably acceptable to the Administrative Agent to replace such Lender by purchasing for cash and receiving an assignment of such Lender's pro rata share of the Revolving Credit Commitment and the Rights of such Lender under the Loan Documents without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding amounts owed to such Lender (including such additional amounts owing to such Lender pursuant to this SECTION 2.14). Upon execution of an Assignment Agreement, such other financial institution shall be deemed to be a "Lender" for all purposes of this Agreement as set forth in SECTION 11.6 hereof.

Section 2.15 LETTERS OF CREDIT.

(a) THE LETTER OF CREDIT FACILITY. The Borrowers, through an Authorized Signatory, may request the Issuing Bank, on the terms and conditions hereinafter set forth, to issue, and the Issuing Bank shall, if so requested, issue, commercial and standby letters of credit (the "LETTERS OF CREDIT") for the account of any Borrower from time to time on any Business Day from the date of the initial Advance until the Maturity Date in an aggregate maximum amount (assuming compliance with all conditions to drawing) not to exceed, at any time outstanding (less Cash Collateralized Letters of Credit), the lesser of (i) $10,000,000 (or the Dollar Equivalent thereof in an Approved Offshore Currency) (the "LETTER OF CREDIT FACILITY"), and (ii) the result of (1) the Revolving Credit Commitment MINUS (2) the aggregate principal amount of Revolving Credit Advances then outstanding; provided, however, in no event shall the Dollar Equivalent of all Advances and Reimbursement Obligations outstanding in Approved Offshore Currencies exceed the Approved Offshore Currency Borrowing Limit. No Letter of Credit shall have an expiration date (including all rights of renewal) later than the earlier of (i) ten days prior to the Maturity Date or (ii) one year after the date of issuance thereof. Immediately upon the issuance of each Letter of Credit (or on the Agreement Date, with respect to Existing Letters of Credit), the Issuing Bank shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed to have purchased and received from the Issuing Bank, in each case irrevocably and without any further action by any party, an undivided interest and participation in such Letter of Credit, each drawing thereunder and the obligations of the Borrowers

under this Agreement in respect thereof in an amount equal to the product of (x) such Lender's Specified Percentage times (y) the maximum amount in Dollars (or the Dollar Equivalent thereof in an Approved Offshore Currency) to be drawn under such Letter of Credit (assuming compliance with all conditions to drawing). Within the limits of the Letter of Credit Facility, and subject to the limits referred to above, the Borrowers may request the issuance of Letters of Credit under this SECTION 2.15(a), repay any Revolving Credit Advances resulting from drawings thereunder pursuant to SECTION 2.15(c) and request the issuance of additional Letters of Credit under this SECTION 2.15(a).

(b) REQUEST FOR ISSUANCE. Each Letter of Credit shall be issued upon notice, given not later than 11:00 a.m. (Dallas time) on the third Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrowers, through an Authorized Signatory, to the

Issuing Bank. Each Letter of Credit shall be issued upon notice given in accordance with the terms of any separate agreement between the Borrowers and the Issuing Bank in form and substance reasonably satisfactory to the Borrowers and the Issuing Bank providing for the issuance of Letters of Credit pursuant to this Agreement and containing terms and conditions not inconsistent with this Agreement (a "LETTER OF CREDIT AGREEMENT"), PROVIDED that if any such terms and conditions are inconsistent with this Agreement, this Agreement shall control. Each such notice of issuance of a Letter of Credit by the Borrowers (a "NOTICE OF ISSUANCE") shall be by telex, telecopier or cable, specifying therein, in the case of a Letter of Credit, the requested (A) date of such issuance (which shall be a Business Day), (B) maximum amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit, (E) the Applicable Currency of such Letter of Credit, and (F) form of such Letter of Credit and specifying such other information as shall be required pursuant to the relevant Letter of Credit Agreement. If the requested terms of such Letter of Credit are acceptable to the Issuing Bank in its reasonable discretion, the Issuing Bank will, upon fulfillment of the applicable conditions set forth in ARTICLE 3 hereof, make such Letter of Credit available to the appropriate Borrower at its office referred to in SECTION 11.1 or as otherwise agreed with such Borrower in connection with such issuance.

(c) DRAWING AND REIMBURSEMENT. The payment by the Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by the Issuing Bank of a Revolving Credit Advance, which shall bear interest at the Base Rate Basis, in the amount of such draft (but without any requirement for compliance with the conditions set forth in ARTICLE 3 hereof). The Issuing Bank shall notify the Borrowers within one Business Day of a draw request with respect to a Letter of Credit issued in other than Dollars. In the event that a drawing under any Letter of Credit is not reimbursed by the Borrowers by 11:00 a.m. (Dallas time) on the first Business Day after such drawing, the Issuing Bank shall promptly notify

Administrative Agent and each other Lender. Each such Lender shall, on the first Business Day following such notification, make a Revolving Credit Advance in Dollars, which shall bear interest at the Base Rate Basis, and shall be used to repay the applicable portion of the Issuing Bank's advance with respect to such Letter of Credit, in an amount equal to the amount of its participation in such drawing for application to reimburse the Issuing Bank (but without any requirement for compliance with the applicable conditions set forth in ARTICLE 3 hereof) and shall make available to the Administrative Agent for the account of the Issuing Bank, by deposit at the Administrative Agent's office, in same day funds, the amount of such Revolving Credit Advance in Dollars. In the event that any Lender fails to make available to the Administrative Agent for the account of the Issuing Bank the amount of such Revolving Credit Advance in Dollars, the Issuing Bank shall be entitled to recover such amount on demand from such Lender together with interest thereon at a rate per annum equal to the lesser of (i) the Highest Lawful Rate or (ii) the Federal Funds Rate.

(d) INCREASED COSTS. If (a) the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital

Measurement and Capital Standards" or (b) any change in any Law or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit or guarantees issued by, or assets held by, or deposits in or for the account of, the Issuing Bank or any Lender or any corporation controlling the Issuing Bank or any Lender or (ii) impose on the Issuing Bank or any Lender or any corporation controlling the Issuing Bank or any Lender any other condition regarding this Agreement or any Letter of Credit, and the result of any event referred to in the preceding clause (i) or (ii) shall be to increase the cost to the Issuing Bank or any corporation controlling the Issuing Bank of issuing or maintaining any Letter of Credit or to any Lender or any corporation controlling such Lender of purchasing any participation therein or making any Revolving Credit Advance pursuant to SECTION 2.15(c), then, within 30 days after demand by the Issuing Bank or such Lender, the Borrowers shall, subject to SECTION 11.9 hereof, pay to the Issuing Bank or such Lender, from time to time as specified by the Issuing Bank or such Lender, additional amounts that shall be sufficient to compensate the Issuing Bank or such Lender or any corporation controlling such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrowers by the Issuing Bank or such Lender, shall certify that such increased costs were actually incurred by the Issuing Bank or such Lender and shall show in reasonable detail an accounting of the amount payable and the calculation used to determine in good faith such amount and shall be conclusive absent manifest or demonstrable error. In determining such amount, the Issuing Bank or such Lender may use any reasonable averaging or attribution method. Nothing in this SECTION 2.15(d)

shall provide the Parent or any of its Subsidiaries the right to inspect the records, files or books of the Issuing Bank or any Lender. If the Borrowers become obligated to pay additional amounts described in this SECTION 2.15(d) to any Lender, the Borrowers may designate a financial institution reasonably acceptable to the Administrative Agent to replace such Lender by purchasing for cash and receiving an assignment of such Lender's Specified Percentage of the Revolving Credit Commitment and the Rights of such Lender under the Loan Documents without recourse to or warranty by, or expenses to, such Lender, for a purchase price equal to the outstanding amounts owing to such Lender (including such additional amounts owing to such Lender pursuant to this SECTION 2.15(d). Upon execution of an Assignment Agreement, such other financial institution shall be deemed to be a "Lender" for all purposes of this Agreement as set forth in SECTION 11.6 hereof. The obligations of the Borrowers under this SECTION 2.15(d) shall survive termination of this Agreement. The Issuing Bank or any Lender claiming any additional compensation under this SECTION 2.15(d) shall use reasonable efforts (consistent with legal and regulatory restrictions) to reduce or eliminate any such additional compensation which may thereafter accrue and which efforts would not, in the reasonable judgment of the Issuing Bank or such Lender, be otherwise disadvantageous.

(e) OBLIGATIONS ABSOLUTE. The obligations of the Borrowers under this Agreement with respect to any Letter of Credit, any Letter of Credit Agreement and any other agreement or instrument relating to any Letter of Credit or any Revolving Credit Advance pursuant to SECTION 2.15(c) shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or

instrument under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement, any other Loan Document, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (collectively, the "L/C RELATED DOCUMENTS");

(ii) (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Parent in respect of the Letters of Credit or any Revolving Credit Advance pursuant to SECTION 2.15(c) or (B) any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Borrowers may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Bank, any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C Related Documents or any

unrelated transaction;

(iv) any statement or any other document presented under a 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;

(v) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of the Letter of Credit;

(vi) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the Obligations of the Borrowers in respect of the Letters of Credit or any Revolving Credit Advance pursuant to SECTION 2.15(c); or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrowers or a guarantor;

PROVIDED in each case in this SUBSECTION 2.15(e) that payment by the Issuing Bank under the applicable Letter of Credit shall not have constituted gross negligence or wilful misconduct.

(f) COMPENSATION FOR LETTERS OF CREDIT.

(i) CREDIT FEE. Subject to SECTION 11.9 hereof, the Borrowers shall pay to the Administrative Agent for the account of each Lender a fee (which shall be payable quarterly in arrears on each Quarterly Date and on the Maturity Date) on the average

daily amount available for drawing under all outstanding Letters of Credit at the following per annum percentages, applicable in the following situations:

<TABLE>
<CAPTION>

	Applicability	Percentage
<S>		<C>
(a)	Initial Pricing Period	2.50
(b)	Subsequent Pricing Period	
(1)	If the Leverage Ratio is greater than or equal to 2.50 to 1	2.50
(2)	If the Leverage Ratio is less than 2.50 to 1 but greater than or equal to 1.75 to 1	2.00

(3)	If the Leverage Ratio is less than 1.75 to 1 but greater than or equal to 1.00 to 1	1.50
(4)	If the Leverage Ratio is less than 1.00 to 1	1.25

</TABLE>

The fee payable in respect of the Letters of Credit shall be subject to reduction or increase, as applicable and as set forth in the table above, on a quarterly basis by using the Leverage Ratio calculated as of the end of each fiscal quarter during the Subsequent Pricing Period. Any such increase or reduction in such fee shall be effective within 2 Business Days of the date of receipt by the Administrative Agent of the financial statements required pursuant to SECTION 6.1 or 6.2 hereof, as applicable, for each such fiscal quarter and the Compliance Certificate required pursuant to SECTION 6.3 hereof. If such financial statements and Compliance Certificate are not received by the date required, the fee payable in respect of the Letters of Credit shall be determined as if the Leverage Ratio is greater than or equal to 2.50 to 1 until such time as such financial statements and Compliance Certificate are received. Subject to SECTION 11.9 hereof, such fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(ii) ISSUANCE FEE. Subject to SECTION 11.9 hereof, the Borrowers shall pay to the Administrative Agent for the account of the Issuing Bank an issuance fee (which shall be payable on the date of issuance and renewal of each Letter of Credit) in an amount equal to the greater of (a) $250 or (b) the product of (x) 0.125% times (y) the face amount of the Letter of Credit being issued.

(iii) ADMINISTRATIVE FEE. Subject to SECTION 11.9 hereof, the Borrowers shall pay, with respect to each amendment, renewal or transfer of each Letter of Credit and each drawing made thereunder, reasonable documentary and processing charges in accordance with the Issuing Bank's standard schedule for such charges in effect at the time of such amendment, renewal, transfer or drawing, as the case may be.

(g) L/C CASH COLLATERAL ACCOUNT.

(i) Upon the occurrence of an Event of Default and demand by the Administrative Agent pursuant to SECTION 8.2(c) (but in the case of an Event of Default specified in SECTION 8.1(f) or (g) hereof, without any demand or taking of any other action

by the Administrative Agent or any other Lender), the Borrowers will promptly pay to the Administrative Agent in immediately available funds an amount equal to the maximum amount then available to be drawn under the Letters of Credit then outstanding. Any amounts so received by the Administrative Agent shall be deposited by the Administrative Agent in a deposit account maintained by the Issuing Bank (the "L/C CASH COLLATERAL

ACCOUNT"). In addition, as provided in SECTION 2.5(b) hereof, the Borrowers will also deposit in the L/C Cash Collateral Account immediately available funds to cash collateralize Letters of Credit.

(ii) As security for the payment of all Reimbursement Obligations and for any other Obligations, the Borrowers hereby grant, convey, assign, pledge, set over and transfer to the Administrative Agent (for the benefit of the Issuing Bank and Lenders), and creates in the Administrative Agent's favor (for the benefit of the Issuing Bank and Lenders) a Lien in, all money, instruments and securities at any time held in or acquired in connection with the L/C Cash Collateral Account, together with all proceeds thereof. The L/C Cash Collateral Account shall be under the sole dominion and control of the Administrative Agent and the Borrowers shall have no right to withdraw or to cause the Administrative Agent to withdraw any funds deposited in the L/C Cash Collateral Account. At any time and from time to time, upon the Administrative Agent's request, the Borrowers promptly shall execute and deliver any and all such further instruments and documents, including UCC financing statements, as may be necessary, appropriate or desirable in the Administrative Agent's judgment to obtain the full benefits (including perfection and priority) of the security interest created or intended to be created by this paragraph (ii) and of the rights and powers herein granted. The Borrowers shall not create or suffer to exist any Lien on any amounts or investments held in the L/C Cash Collateral Account other than the Lien granted under this paragraph (ii) and Liens arising by operation of Law and not by contract which secure amounts not yet due and payable.

(iii) The Administrative Agent shall (A) apply any funds in the L/C Cash Collateral Account on account of Reimbursement Obligations when the same become due and payable, (B) if at any time prior to the occurrence of a Default or Event of Default, the amount in the L/C Cash Collateral Account exceeds the amount of the Cash Collateralized Letters of Credit, pay such excess to the Borrowers, and (C) after the Maturity Date or if at any time the amount in the L/C Cash Collateral Account exceeds the amount of the Reimbursement Obligations, apply any proceeds remaining in the L/C Cash Collateral Account FIRST to pay any unpaid Obligations then outstanding hereunder and THEN to refund any remaining amount to the Borrowers.

(iv) The Borrowers, no more than once in any calendar month, may direct the Administrative Agent to invest the funds held in the L/C Cash Collateral Account (so long as the aggregate amount of such funds exceeds any relevant minimum investment requirement) in (A) Cash Equivalents or direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof and

(B) one or more other types of investments permitted by the Determining

Lenders, in each case with such maturities as the Borrowers, with the consent of the Determining Lenders, may specify, pending application of such funds on account of Reimbursement Obligations or on account of other Obligations, as the case may be. In the absence of any such direction from the Borrowers, the Administrative Agent shall invest the funds held in the L/C Cash Collateral Account (so long as the aggregate amount of such funds exceeds any relevant minimum investment requirement) in one or more types of investments with the consent of the Determining Lenders with such maturities as the Borrowers, with the consent of the Determining Lenders, may specify, pending application of such funds on account of Reimbursement Obligations or on account of other Obligations, as the case may be. All such investments shall be made in the Administrative Agent's name for the account of the Lenders, subject to the ownership interest therein of the Borrowers. The Borrowers recognize that any losses or taxes with respect to such investments shall be borne solely by the Borrowers, and the Borrowers agree to hold the Administrative Agent and the Lenders harmless from any and all such losses and taxes. Administrative Agent may liquidate any investment held in the L/C Cash Collateral Account in order to apply the proceeds of such investment on account of the Reimbursement Obligations as provided in SECTION 2.15(g)(III) hereof (or on account of any other Obligation then due and payable, as the case may be) without regard to whether such investment has matured and without liability for any penalty or other fee incurred (with respect to which the Borrowers hereby agree to reimburse the Administrative Agent) as a result of such application.

(v) After the establishment of the L/C Cash Collateral Account pursuant to SECTION 2.15(g)(i) hereof, the Borrowers shall pay to the Administrative Agent the fees customarily charged by the Issuing Bank with respect to the maintenance of accounts similar to the L/C Cash Collateral Account.

(h) ICC. UNLESS OTHERWISE EXPRESSLY AGREED BY THE ISSUING BANK AND THE BORROWER WHEN A LETTER OF CREDIT IS ISSUED, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, AS PUBLISHED IN ITS MOST RECENT VERSION BY THE INTERNATIONAL CHAMBER OF COMMERCE (THE "ICC") ON THE DATE ANY LETTER OF CREDIT IS ISSUED, SHALL BE DEEMED A PART OF THIS SECTION 2.15 AND SHALL APPLY TO SUCH LETTER OF CREDIT, INCLUDING THE ICC DECISION PUBLISHED BY THE COMMISSION ON BANKING TECHNIQUE AND PRACTICE OF APRIL 6, 1998 ENTITLED "THE IMPACT OF THE EUROPEAN SINGLE CURRENCY (EURO) ON MONETARY OBLIGATIONS RELATED TO TRANSACTIONS INVOLVING ICC RULES".

ARTICLE 3

CONDITIONS PRECEDENT

Section 3.1 CONDITIONS PRECEDENT TO CLOSING, THE INITIAL REVOLVING CREDIT ADVANCE AND THE INITIAL LETTERS OF CREDIT. The obligation of each Lender

to make any Revolving Credit Advance and the obligation of the Issuing Bank to issue Letters of Credit is subject to (i) receipt by the Administrative Agent of the following items which are to be delivered, in form and substance satisfactory to each Lender, with a copy (except for the Notes) for each Lender, and (ii) satisfaction of the following conditions which are to be satisfied:

(a) A loan certificate of each Borrower certifying as to the accuracy of its representations and warranties in the Loan Documents, certifying that no Default has occurred, and including a certificate of incumbency with respect to each Authorized Signatory, and including (i) with respect to the Parent and IPD, (A) a copy of the Certificate of Incorporation of such Borrower, certified to be true, complete and correct by the Secretary of State of its jurisdiction of incorporation, (B) a copy of its Bylaws, as in effect on the Agreement Date, and (C) a copy of a certificate of good standing and a certificate of existence for its state of organization and each state in which the nature of its business requires it to be qualified to do business except where the failure to be in good standing would not have a Material Adverse Effect, and (ii) with respect to Melcher, documents equivalent under the laws of Switzerland to those requested of the Parent and IPD in clauses (A), (B) and (C) above;

(b) a duly executed Revolving Credit Note payable to the order of each Lender and in an amount for each Lender equal to its Specified Percentage of the Revolving Credit Commitment;

(c) UCC-11 searches in appropriate jurisdictions where Collateral is located;

(d) opinions of counsel to the Parent and each of its Material Subsidiaries (including any appropriate foreign counsel) addressed to the Lenders and in form and substance reasonably satisfactory to the Lenders, dated the Agreement Date, and covering the matters set forth in EXHIBIT I hereto and such other matters incident to the transactions contemplated hereby as the Administrative Agent or Special Counsel may reasonably request;

(e) reimbursement for the Administrative Agent for Special Counsel's reasonable and customary fees (on an hourly basis) and expenses rendered through the date hereof;

(f) evidence that all proceedings of the Parent and its Subsidiaries taken in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be reasonably satisfactory in form and substance to the Lenders and Special Counsel; and the Lenders shall have received copies of all documents or other evidence which the Administrative Agent, Special Counsel or any Lender may reasonably request in connection with such transactions;

(g) any fees or expenses required to be paid pursuant to the Fee Letter;

(h) duly executed and completed Pledge Agreements, dated as of the

Agreement Date granting a Lien, subject only to Permitted Liens, in all Collateral covered thereby, together with related financing statements, stock powers, stock certificates evidencing ownership of 66% of the issued and outstanding Capital Stock of each Foreign Subsidiary owned directly by the Parent;

(i) simultaneously with the making of the initial Advance, executed UCC-3 Termination Statements to be filed in appropriate jurisdictions to terminate all Liens against assets of the Parent and its Subsidiaries other than Permitted Liens;

(j) there shall have occurred no material adverse change in the business, assets or financial condition of the Parent and its Material Subsidiaries, taken as a whole, since the date of the financial statements referred to in SECTION 4.1(j)(i)(a) hereof;

(k) simultaneously with the making of the initial Advance, all Indebtedness of the Borrowers under the Existing Credit Agreement (other than in respect of the Existing Letters of Credit) shall have been refinanced in full pursuant to the terms hereof, provided that the Liens granted with respect to the Capital Stock of each Foreign Subsidiary shall remain in full force and effect (whereupon each lender under the Existing Credit Agreement shall mark its respective promissory note "PAID" and shall return such note to the Parent);

(l) duly executed Subordination Agreements executed by the Parent and each Subsidiary of the Parent, dated as of the Agreement Date; and

(m) in form and substance reasonably satisfactory to the Lenders and Special Counsel, such other documents, instruments and certificates as the Administrative Agent or any Lender may reasonably require in connection with the transactions contemplated hereby, including without limitation, evidence of the status, organization or authority of the Parent or any of its Subsidiaries, and the enforceability of the Obligations.

Section 3.2 CONDITIONS PRECEDENT TO ALL REVOLVING CREDIT ADVANCES AND LETTERS OF CREDIT. The obligation of each Lender to make each Revolving Credit Advance hereunder and the obligation of the Issuing Bank to issue each Letter of Credit is subject to fulfillment of the following conditions immediately prior to or contemporaneously with each such Revolving Credit Advance or issuance:

(a) With respect to each Revolving Credit Advance and each issuance of a Letter of Credit, all of the representations and warranties of the Parent under this Agreement, which, pursuant to SECTION 4.2 hereof, are made at and as of the time of each such Revolving Credit Advance or issuance, shall be true and correct at such time in all material respects, both before and after giving effect to the application of the proceeds of the Revolving Credit Advance, except as otherwise expressly provided in said SECTION 4.2 hereof;

(b) The incumbency of the Authorized Signatories shall be as stated in the certificate of incumbency delivered in each Borrower's loan certificate pursuant to SECTION 3.1(a) or as subsequently modified and reflected in a certificate of incumbency delivered to the Administrative Agent. The Lenders may, without waiving this condition, consider it fulfilled and a representation by the Borrowers made to such effect if no written notice to the contrary, dated on or before the date of such Revolving Credit Advance, is received by the Administrative Agent from the Borrowers prior to the making of such Revolving Credit Advance;

(c) There shall not exist a Default or Event of Default hereunder, and, with respect to each Revolving Credit Advance and Letter of Credit, the Administrative Agent shall have received written or telephonic certification thereof by an Authorized Signatory (which certification, if telephonic, shall be followed promptly by written certification);

(d) The aggregate Revolving Advances and Letters of Credit, after giving effect to such proposed Revolving Credit Advance or Letter of Credit, shall not exceed the maximum principal amount then permitted to be outstanding hereunder;

(e) No order, judgment, injunction or decree of any Tribunal shall purport to enjoin or restrain any Lender or the Issuing Bank from making any Revolving Credit Advance or issuing any Letter of Credit;

(f) There shall not be pending, or to the knowledge of the Parent, threatened any Litigation against or affecting the Parent or any of its Subsidiaries or any property of the Parent or any of its Subsidiaries that has not been disclosed in writing by the Parent pursuant to SECTION 4.1(h), 6.4(d) or 6.5(a) prior to the making of the last preceding Revolving Credit Advance or the issuance of the last preceding Letter of Credit (or in the case of the initial Revolving Credit Advances and Letters of Credit, prior to the Agreement Date) and there shall have occurred no development not so disclosed in any such Litigation that, in either event, would reasonably be expected to have a Material Adverse Effect; and

(g) There shall have occurred no material adverse change in the business, financial condition, results of operations or business prospects of the Parent and its Subsidiaries, taken as a whole, since December 31, 1998.

Section 3.3 CONDITIONS PRECEDENT TO CONVERSIONS AND CONTINUATIONS. The obligation of the Lenders to convert any existing Base Rate Advance into an Offshore Advance or to continue any existing Offshore Advance is subject to the condition precedent that on the date of such conversion or continuation no Default or Event of Default shall have occurred and be continuing or would result from the making of such conversion or continuation. The acceptance of the benefits of each such conversion and continuation shall constitute a representation and warranty by the Borrowers to each of the Lenders that no Default or Event of Default shall have occurred and be continuing or would result from the making of such conversion or continuation.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Section 4.1 REPRESENTATIONS AND WARRANTIES. The Parent hereby represents and warrants to each Lender as follows:

(a) ORGANIZATION; POWER; QUALIFICATION. The respective jurisdiction of organization or incorporation and percentage ownership by the Parent of the Subsidiaries listed on SCHEDULE 4.1(a) are true and correct as of the Agreement Date. SCHEDULE 4.1(a) is a complete and accurate listing as of the Agreement Date, showing with respect to each Subsidiary of the Parent (a) its mailing address, which is its principal place of business, (b) the classes of its Capital Stock and the number of amount of its Capital Stock authorized and outstanding, (c) each record and beneficial owner of its outstanding Capital Stock, and (d) all outstanding options, rights, rights of conversion, redemption, purchase or repurchase, rights of first refusal and similar rights relating to the Capital Stock. All of the outstanding Capital Stock of the Parent and each of its Material Subsidiaries is validly issued, fully paid and non-assessable. Each of the Parent and its Material Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its state, county or province of organization. Each of the Parent and its Material Subsidiaries has the legal power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted. Each of the Parent and its Material Subsidiaries is authorized to do business, duly qualified and in good standing in its jurisdiction of organization or incorporation and no qualification or authorization is necessary in any other jurisdictions in which the character of its properties or the nature of its business requires such qualification or authorization except where the failure to be so qualified or authorized would not have a Material Adverse Effect.

(b) AUTHORIZATION. Each Borrower has legal power and has taken all necessary legal action to authorize it to borrow and request Letters of Credit hereunder. Each of the Parent and its Subsidiaries has legal power and has taken all necessary legal action to execute, deliver and perform the Loan Documents to which it is party in accordance with the terms thereof, and to consummate the transactions contemplated thereby. Each Loan Document has been duly executed and delivered by the Parent or its Subsidiary executing it. Each of the Loan Documents to which the Parent or any of its Subsidiaries is a party is a legal, valid and binding obligation of the Parent or such Subsidiary, as applicable, enforceable in accordance with its terms, subject, to enforcement of remedies, to the following qualifications: (i) equitable principles generally, (ii) Debtor Relief Laws (insofar as any such law relates to the bankruptcy, insolvency or similar event of the Parent or any of its Subsidiaries), and (iii) with respect to Melcher and its Subsidiaries that are located in Switzerland, the Swiss Federal Act on Debt Collection and Bankruptcy.

(c) COMPLIANCE WITH OTHER LOAN DOCUMENTS AND CONTEMPLATED TRANSACTIONS. The

execution, delivery and performance by the Parent and its Subsidiaries of the Loan Documents to which they are respectively a party, and the consummation of the transactions contemplated thereby, do not and will not (i) require any consent or approval necessary on or prior to the Agreement Date not already obtained, except to the extent that the failure to obtain any such consent or approval could not reasonably be expected to have a Material Adverse Effect, (ii) violate any Applicable Law, except to the extent that any such violation could not reasonably be expected to have a Material Adverse Effect, (iii) conflict with, result in a breach of, or constitute a default under the certificate of incorporation or by-laws of the Parent or any of its Material Subsidiaries, (iv) conflict with, result in a breach of, or constitute a default under any Necessary Authorization, indenture, agreement or other instrument, to which the Parent or any of its Subsidiaries is a party or by which they or their respective properties may be bound, the result of which could reasonably be expected to have a Material Adverse Effect, or (v) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Parent or any of its Material Subsidiaries, except Permitted Liens.

(d) BUSINESS. The Parent and its Material Subsidiaries are engaged primarily in the business of designing, manufacturing and marketing alternating current and direct current power supplies and activities directly related thereto.

(e) LICENSES, ETC. All Necessary Authorizations have been duly obtained, and are in full force and effect without any known conflict with the rights of others and free from any unduly burdensome restrictions, unless the failure to obtain or have in effect such Necessary Authorizations would not result in a Material Adverse Effect. The Parent and its Material Subsidiaries are and will continue to be in compliance in all material respects with all provisions thereof. No circumstance exists which could reasonably be expected to impair the utility of the Necessary Authorization or the right to renew such Necessary Authorization the effect of which would have a Material Adverse Effect. No Necessary Authorization is the subject of any pending or, to the best of the Parent's knowledge, threatened challenge, suspension, cancellation or revocation, the effect of which could reasonably be expected to have a Material Adverse Effect.

(f) COMPLIANCE WITH LAW. The Parent and its Subsidiaries are in compliance in all respects with all Applicable Laws, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(g) TITLE TO PROPERTIES. Except as set forth on SCHEDULE 4.1(g) hereto, the Parent and its Material Subsidiaries have good and indefeasible title to, or a valid leasehold interest in, all of their material assets. None of their assets are subject to any Liens, except Permitted Liens. No financing statement or other Lien filing (except relating to Permitted Liens) is on file in any state or jurisdiction that names the Parent or any of its Material Subsidiaries as debtor or covers (or purports to cover) any assets of the Parent or any of its Material Subsidiaries. The Parent and its Material Subsidiaries have not signed any such financing statement or filing, nor any security agreement authorizing any Person to file any such financing statement or filing (except relating

to Permitted Liens).

(h) LITIGATION. Except as reflected on SCHEDULE 4.1(h) hereto, as of the Agreement Date there is no Litigation pending against, or, to the Parent's current actual knowledge, threatened against the Parent, or in any other manner relating directly and adversely to the Parent or any of its Material Subsidiaries, or any of their respective properties, in any court or before any arbitrator of any kind or before or by any governmental body in which the amount claimed (in excess of applicable insurance) exceeds $500,000.

(i) TAXES. All federal, state and other tax returns of the Parent and its Subsidiaries required by law to be filed have been duly filed or extensions have been timely filed, and all federal, state and other Taxes upon the Parent, its Material Subsidiaries or any of their properties, income, profits and assets, which are due and payable, have been paid, unless the same are being diligently contested in accordance with SECTION 5.6 hereof. The charges, accruals and reserves on the books of the Parent and its Material Subsidiaries in respect of their Taxes are, in the judgment of the Parent, adequate.

(j) FINANCIAL STATEMENTS; MATERIAL LIABILITIES.

(i) The Parent has heretofore delivered to Lenders (a) the audited combined balance sheets of the Parent and its Subsidiaries as at December 31, 1998, and the related statements of earnings and changes in investment and statement of cash flows for the twelve-month period then ended, and (b) unaudited combined balance sheets of the Parent and its Subsidiaries as at March 31, 1999, and the related statements of earnings and changes in investment and statement of cash flows for the three-month period then ended. Such financial statements were prepared in conformity with GAAP (except for the absence of footnotes) and fairly present, in all material respects, the financial position of the Parent and its Subsidiaries as at the dates thereof and the combined results of operations and cash flows for the periods covered thereby.

(ii) The projected financial statements of the Parent and its Subsidiaries delivered to the Lenders prior to or on the Agreement Date

were prepared in good faith, and management of the Parent believes them to be based on reasonable assumptions and to fairly present in all material respects the projected financial condition of the Parent and its Subsidiaries and the projected results of operations as of the dates and for the periods shown for the Parent and its Subsidiaries, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results.

(iii) The financial statements of the Parent and its Subsidiaries delivered to the Lenders pursuant to SECTION 6.1 and 6.2 hereof fairly present in all material respects their respective financial condition and their respective results of operations as of the dates and

for the periods shown, all in accordance with GAAP, subject to normal year-end adjustments. The latest of such financial statements reflects all material liabilities, direct and contingent, of the Parent and each of its Subsidiaries that are required to be disclosed in accordance with GAAP. As of the date of the latest of such financial statements, there were no (A) Guaranties, (B) liabilities for Taxes or (C) forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments that, in the case of either clause (A), (B) or (C), are substantial in amount that are required to be reflected but that are not reflected on such financial statements.

(k) NO ADVERSE CHANGE. Since the date of the last financial statements delivered to the Lenders pursuant to SECTION 6.1 or 6.2 hereof, no event or circumstance has occurred or arisen which is reasonably likely to have a Material Adverse Effect.

(l) ERISA. None of the Parent or its Controlled Group maintains or contributes to any Plan subject to Title IV of ERISA other than those disclosed to the Administrative Agent in writing. Each such Plan (other than any Multiemployer Plan) is in compliance in all material respects with the applicable provisions of ERISA, the Code, and any other applicable Law, except to the extent that failure to so comply would not reasonably be expected to have a Material Adverse Effect. With respect to each Plan (other than any Multiemployer Plan) of the Parent and each member of its Controlled Group, all reports required under ERISA or any other Applicable Law to be filed with any governmental authority, the failure of which to file could reasonably result in liability of the Parent or any member of its Controlled Group in excess of $500,000, have been duly filed. All such reports are true and correct in all material respects as of the date given. No Plan of the Parent or any member of its Controlled Group has been terminated under Section 4041(c) of ERISA nor has any accumulated funding deficiency (as defined in Section 412(a) of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested the result of which could reasonably be expected to have

Material Adverse Effect. None of the Parent or any member of its Controlled Group has failed to make any contribution or pay any amount due or owing as required under the terms of any such Plan, or by Section 412 of the Code or Section 302 of ERISA by the due date under Section 412 of the Code and Section 302 of ERISA, the result of which could reasonably be expected to have a Material Adverse Effect. There has been no ERISA Event or any event requiring disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Plan or its related trust of the Parent or any member of its Controlled Group since the effective date of ERISA. The present value of the benefit liabilities, as defined in Title IV of ERISA, of each Plan subject to Title IV of ERISA (other than a Multiemployer Plan) of the Parent and each member of its Controlled Group does not exceed by more than $500,000 the present value of the assets of each such Plan as of the most recent valuation date using each such Plan's actuarial assumptions at such date. There are no pending, or to the best of the Parent's knowledge threatened, claims, lawsuits or actions (other than routine claims for benefits in the ordinary course) asserted or instituted against, and neither the Parent nor any member of its Controlled Group has knowledge of any threatened litigation or claims against, the assets of any Plan or its related trust or against any

fiduciary of a Plan with respect to the operation of such Plan, the result of which could reasonably be expected to have a Material Adverse Effect. None of the Parent or, to the best of the Parent's knowledge, any member of its Controlled Group has engaged in any prohibited transactions, within the meaning of Section 406 of ERISA or Section 4975 of the Code, in connection with any Plan the result of which could reasonably be expected to have Material Adverse Effect. None of the Parent or any member of its Controlled Group has withdrawn from any Multiemployer Plan, nor has incurred or reasonably expects to incur (A) any liability under Title IV of ERISA (other than premiums due under Section 4007 of ERISA to the PBGC), (B) any withdrawal 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 of ERISA as a result of a complete or partial withdrawal (within the meaning of Section 4203 or 4205 of ERISA) from a Multiemployer Plan, or (C) any liability under Section 4062 of ERISA to the PBGC or to a trustee appointed under Section 4042 of ERISA. None of the Parent, any member of its Controlled Group, or any organization to which the Parent or any member of its Controlled Group is a successor or parent corporation within the meaning of ERISA Section 4069(b), has engaged in a transaction within the meaning of ERISA Section 4069, the result of which could reasonably be expected to have a Material Adverse Effect. None of the Parent or any member of its Controlled Group maintains or has established any Plan, which is a welfare benefit plan within the meaning of Section 3(1) of ERISA and which provides for continuing benefits or coverage for any participant or any beneficiary of any participant after such participant's termination of employment, except as may be required by the Consolidated Omnibus Budget Reconciliation Act

of 1985, as amended ("COBRA"), the result of which could reasonably be expected to have a Material Adverse Effect. Each of Parent and its Controlled Group which maintains a Plan which is a welfare benefit plan within the meaning of Section 3(1) of ERISA has complied in all material respects with any applicable notice and continuation requirements of COBRA and the regulations thereunder. None of the Parent or any member of its Controlled Group maintains, has established, or has ever participated in a multiemployer welfare benefit arrangement within the meaning of Section 3(40)(A) of ERISA.

(m) COMPLIANCE WITH REGULATIONS T, U AND X. Neither the Parent nor any of its Subsidiaries is engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulations T, U and X of the Board of Governors of the Federal Reserve System, and no part of the proceeds of the Advances or Letters of Credit will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. No more than 25% of the assets of the Parent and its Subsidiaries are margin stock. None of the Parent and its Subsidiaries nor any agent acting on their behalf, have taken or will knowingly take any action which would cause this Agreement or any other Loan Documents to violate any regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

(n) GOVERNMENTAL REGULATION. The Parent and its Subsidiaries are not required to obtain any Necessary Authorization on or prior to the Agreement Date that has not already been

obtained from, or effect any material filing or registration that has not already been effected with, any Tribunal in connection with the execution and delivery of this Agreement or any other Loan Document, or the performance thereof, in accordance with their respective terms, including any borrowings hereunder other than any Necessary Authorizations or filings or registrations the absence of which could not reasonably be expected to have a Material Adverse Effect.

(o) ABSENCE OF DEFAULT. The Parent and its Material Subsidiaries are in compliance in all material respects with all of the provisions of their certificates of incorporation and by-laws, and no event has occurred or failed to occur, which has not been remedied or waived, the occurrence or non-occurrence of which constitutes, or which with the passage of time or giving of notice or both would constitute, (i) an Event of Default or (ii) a default by the Parent or any of its Subsidiaries under any material indenture, agreement or other instrument, or any judgment, decree or order to which the Parent or any of its Subsidiaries or by which they or any of their respective

properties is bound, except to the extent that such default could not reasonably be expected to have a Material Adverse Effect.

(p) GOVERNMENTAL REGULATION. Neither the Parent nor any of its Material Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940, or any other Law, domestic or foreign, limiting its ability to incur Indebtedness for money borrowed or to create Liens on any of its properties or assets to secure such Indebtedness. Neither the entering into or performance by the Borrowers of this Agreement nor the issuance of the Notes violates any provision of such act or requires any consent, approval, or authorization of, or registration with, the Securities and Exchange Commission or any other governmental or public body of authority pursuant to any provisions of such act.

(q) ENVIRONMENTAL MATTERS. Neither the Parent nor any of its Subsidiaries has any current actual knowledge that any substance deemed hazardous by any Applicable Environmental Law, has been installed (i) on any real property fee title to which is now owned by the Parent or any of its Subsidiaries or (ii) by the Parent or any of its Subsidiaries on any real property leased by the Parent or any of its Subsidiaries, in either case in a manner which does not comply with Applicable Environmental Laws, except to the extent that the failure to so comply could not reasonably be expected to have a Material Adverse Effect. The Parent and its Subsidiaries are not in violation of or subject to any existing, pending or, to the best of the Parent's knowledge, threatened investigation or inquiry by any Tribunal or to any material remedial obligations under any Applicable Environmental Laws, the effect of which could reasonably be expected to have a Material Adverse Effect. The Parent and its Subsidiaries have not obtained and are not required to obtain any permits, licenses or similar authorizations other than certificates of occupancy and building permits and other authorizations that have been obtained to construct, occupy, operate or use any buildings, improvements, fixtures, and equipment forming a part of any real property owned or leased by the Parent or any of its Subsidiaries by reason of any Applicable Environmental Laws, except to the extent that the failure to so obtain could not reasonably be expected to have a Material Adverse Effect. The

Parent and its Material Subsidiaries undertook, at the time of acquisition of fee title to any real property, reasonable inquiry into the previous ownership and uses of such real property consistent with good commercial or customary practice. The Parent and its Subsidiaries have taken reasonable steps to determine, and the Parent and its Subsidiaries have no current actual knowledge, that any hazardous substances or solid wastes have been disposed of or otherwise released (i) on or to the real property fee title to which is owned by the Parent or any of its Subsidiaries or (ii) by the Parent or any of its Subsidiaries on or to any real property leased by the Parent or any of its Subsidiaries, all within the meaning of the Applicable Environmental

Laws, the effect of which, in the case of clause (i) or (ii), could reasonably be expected to have a Material Adverse Effect.

(r) CERTAIN FEES. No broker's, finder's or other fee or commission will be payable by the Borrowers (other than to the Lenders hereunder) with respect to the making of the Revolving Credit Commitment or the Revolving Credit Advances hereunder. The Borrowers agree to indemnify and hold harmless the Administrative Agent and each Lender from and against any claims, demand, liability, proceedings, costs or expenses asserted with respect to or arising in connection with any such fees or commissions.

(s) NECESSARY AUTHORIZATIONS. No event has occurred which permits (or with the passage of time would permit) the revocation or termination of any Necessary Authorization, or which could reasonably be expected to result in the imposition of any restriction thereon of such a nature that could reasonably be expected in either case to be classified as a Material Adverse Effect.

(t) PATENTS, ETC. The Parent and its Subsidiaries have collectively obtained or applied for all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the operation of their business as presently conducted and as proposed to be conducted, except to the extent that the failure to so obtain or apply could not reasonably be expected to have a Material Adverse Effect. Except as set forth on SCHEDULE 4.1(T) hereto, nothing has come to the current actual knowledge of the Parent or any of its Subsidiaries to the effect that (i) any process, method, part or other material presently contemplated to be employed by the Parent or any of its Subsidiaries may infringe any patent, trademark, service mark, trade name, copyright, license or other right owned by any other Person, or (ii) there is pending or overtly threatened any claim or litigation against or affecting the Parent or any of its Subsidiaries contesting its right to sell or use any such process, method, part or other material, which, in the case of clause (i) or (ii), could reasonably be expected to be classified as a Material Adverse Effect.

(u) DISCLOSURE. Neither this Agreement nor any other document, certificate or statement which has been furnished to any Lender by or on behalf of the Parent or any of its Material Subsidiaries in connection herewith contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statement contained herein and therein not misleading at the time it was furnished, unless such statements were corrected in

writing and delivered to the Lenders prior to the Agreement Date. The representation and warranty made in the immediately preceding sentence shall be qualified to the best of the Parent's knowledge to the extent the information referred to therein was prepared or furnished to the Parent by another Person on their behalf. As of the Agreement Date, there is no fact known to the Parent and not known to the public generally that could reasonably be expected to have

a Material Adverse Effect, which has not been set forth in this Agreement or in the documents, certificates and statements furnished to the Lenders by or on behalf of the Borrowers prior to the date hereof in connection with the transaction contemplated hereby.

(v) SOLVENCY. Each Borrower is, and the Parent and its Subsidiaries on a consolidated basis are, Solvent.

(w) LABOR RELATIONS. Neither the Parent nor any of its Subsidiaries is a party to a collective bargaining agreement or similar agreement, and the Parent and each of its Material Subsidiaries is in compliance in all material respects with all Laws respecting employment and employment practices, terms and conditions of employment, wages and hours and other laws related to the employment of its employees, and there are no arrears in the payment of wages, withholding or social security taxes, unemployment insurance premiums or other similar obligations of the Parent or any of its Material Subsidiaries or for which the Parent or any of its Material Subsidiaries may be responsible other than in the ordinary course of business. There is no strike, work stoppage or labor dispute with any union or group of employees pending or overtly threatened involving the Parent or any of its Subsidiaries that would have a Material Adverse Effect.

(x) CONSOLIDATED BUSINESS ENTITY. The Parent and its Subsidiaries are operated as a part of one consolidated business entity and are directly dependent upon each other for and in connection with their respective business activities.

(y) YEAR 2000 COMPLIANCE. The Parent has (i) initiated a review and assessment of all material items of computer and data processing hardware and software used by it and each of its Material Subsidiaries' business and operations (including making contact with its material suppliers and vendors to inquire as to whether or not such suppliers' and vendors' computer systems have a Year 2000 Problem (as defined below) that could reasonably be expected to have a material adverse effect on the Parent and its Material Subsidiaries business and operations) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Parent or any of its Subsidiaries or any of their respective material suppliers and vendors may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), and is (ii) developing a plan and timeline for addressing the Year 2000 Problem on a timely basis. The Parent reasonably believes that all computer and data processing hardware and software used by it and its Material Subsidiaries that are material to its or any of its Material Subsidiaries' business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a

failure to do so could not reasonably be expected to have a Material Adverse

Effect.

Section 4.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made at and as of the Agreement Date and at and as of the date of each Revolving Credit Advance and the date of issuance of each Letter of Credit, and each shall be true and correct in all material respects when made, except to the extent (a) previously fulfilled in accordance with the terms hereof, (b) previously waived in writing by the Determining Lenders with respect to any particular factual circumstance or permitted by the terms of this Agreement or (c) such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such date. All such representations and warranties shall survive, and not be waived by, the execution hereof by any Lender, any investigation or inquiry by any Lender, or by the making of any Revolving Credit Advance or the issuance of any Letter of Credit under this Agreement.

ARTICLE 5

GENERAL COVENANTS

So long as any of the Obligations are outstanding and unpaid or the Revolving Credit Commitment is outstanding (whether or not the conditions to borrowing have been or can be fulfilled):

Section 5.1 PRESERVATION OF EXISTENCE AND SIMILAR MATTERS. The Parent shall, and shall cause each of its Subsidiaries to:

(a) except as otherwise permitted pursuant to SECTION 7.4 hereof, preserve and maintain, or timely obtain and thereafter preserve and maintain, its existence, rights, franchises, licenses, authorizations, consents, privileges and all other Necessary Authorizations from any Tribunal, the loss of which could reasonably be expected to have a Material Adverse Effect; and

(b) except as otherwise permitted pursuant to SECTION 7.4 hereof, qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization, unless the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 5.2 BUSINESS; COMPLIANCE WITH APPLICABLE LAW. The Parent and its Subsidiaries shall (a) engage primarily in the businesses set forth in SECTION 4.1(d) hereof, and (b) comply in all respects with the requirements of all applicable Law, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

Section 5.3 MAINTENANCE OF PROPERTIES. The Parent shall, and shall cause each of its

Subsidiaries to, maintain or cause to be maintained all its properties (whether owned or held under lease) in reasonably good repair, working order and condition, taken as a whole, and from time to time make or cause to be made all appropriate (in the reasonable judgment of the Parent) repairs, renewals, replacements, additions, betterments and improvements thereto, except where the failure to so maintain, repair, renew, replace or improve could not reasonably be expected to have a Material Adverse Effect.

Section 5.4 ACCOUNTING METHODS AND FINANCIAL RECORDS. The Parent shall, and shall cause each of its Subsidiaries to, maintain a system of accounting established and administered in accordance with GAAP, keep adequate records and books of account in which complete entries will be made and all transactions reflected in accordance with GAAP, and keep accurate and complete records of its respective assets. The Parent and each of its Subsidiaries shall maintain a fiscal year ending on the Sunday closest to the last day of December.

Section 5.5 INSURANCE. The Parent shall, and shall cause each of its Material Subsidiaries to, maintain insurance from responsible companies in such amounts and against such risks as shall be customary and usual in the industry for companies of similar size and capability, but in no event less than the amount and types insured as of the Agreement Date to the extent available at reasonable cost.

Section 5.6 PAYMENT OF TAXES AND CLAIMS. The Parent shall, and shall cause each of its Material Subsidiaries to, pay and discharge all material Taxes upon it or its income or properties prior to the date on which penalties attach thereto, and all lawful material claims for labor, materials and supplies which, if unpaid, might become a Lien upon any of its properties; except that no such Tax or claim need be paid which is being diligently contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on the appropriate books, but only so long as no Lien (other than a Permitted Lien) shall attach with respect thereto and no foreclosure, distraint, sale or similar proceedings shall have been commenced. The Parent shall, and shall cause each of its Material Subsidiaries to, timely file all information returns (or extensions of such filing deadlines) required by federal, state or local tax authorities.

Section 5.7 VISITS AND INSPECTIONS. The Parent shall, and shall cause each of its Subsidiaries to, promptly permit representatives of the Administrative Agent or any Lender from time to time after notice by the Administrative Agent or any Lender no later than the previous Business Day to (a) visit and inspect the properties of the Parent and its Subsidiaries as often as the Administrative Agent or any Lender shall reasonably deem advisable, (b) audit, inspect and make extracts from and copies of the Parent's and each such Subsidiary's books and records, and (c) discuss with the Parent's and each such Subsidiary's directors, officers, employees and auditors its business, assets, liabilities, financial positions, results of operations and business

prospects. The Borrowers shall pay the reasonable expenses related to inspections and audits performed by the Administrative Agent. Prior to the occurrence of an Event of Default, all such visits and inspections shall be conducted during normal business hours. Following the

occurrence and during the continuance of an Event of Default, such visits and inspections shall be conducted at any time requested by the Administrative Agent or any Lender without any requirement for advance notice.

Section 5.8 USE OF PROCEEDS. The Borrowers shall use the proceeds of Revolving Credit Advances and Letters of Credit for refinancing of certain Indebtedness of the Borrowers (including in respect of the Existing Credit Agreement), for Acquisitions permitted hereunder and for working capital and other general corporate purposes, subject to the limitation on Approved Offshore Currency Advances set forth in the definition of the Approved Offshore Currency Borrowing Limit.

Section 5.9 INDEMNITY.

(a) THE BORROWERS AGREE TO DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS THE ADMINISTRATIVE AGENT, EACH LENDER, EACH OF THEIR RESPECTIVE AFFILIATES, AND EACH OF THEIR RESPECTIVE (INCLUDING SUCH AFFILIATES') OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ATTORNEYS, SHAREHOLDERS AND CONSULTANTS (INCLUDING, WITHOUT LIMITATION, THOSE RETAINED IN CONNECTION WITH THE SATISFACTION OR ATTEMPTED SATISFACTION OF ANY OF THE CONDITIONS SET FORTH HEREIN) OF EACH OF THE FOREGOING (COLLECTIVELY, "INDEMNITEES") FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, REASONABLE COSTS, REASONABLE EXPENSES AND REASONABLE DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL FOR SUCH INDEMNITEES IN CONNECTION WITH ANY INVESTIGATIVE, ADMINISTRATIVE OR JUDICIAL PROCEEDING, WHETHER OR NOT SUCH INDEMNITEES SHALL BE DESIGNATED A PARTY THERETO), IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST SUCH INDEMNITEES (WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL AND WHETHER BASED ON ANY FEDERAL, STATE, OR LOCAL LAWS AND REGULATIONS, UNDER COMMON LAW OR AT EQUITABLE CAUSE, OR ON CONTRACT, TORT OR OTHERWISE, ARISING FROM OR CONNECTED WITH THE PAST, PRESENT OR FUTURE OPERATIONS OF THE BORROWERS OR THEIR RESPECTIVE PREDECESSORS IN INTEREST, OR THE PAST, PRESENT OR FUTURE ENVIRONMENTAL CONDITION OF PROPERTY OF THE BORROWERS), IN ANY MANNER RELATING TO OR ARISING OUT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR ANY ACT, EVENT OR TRANSACTION OR ALLEGED ACT, EVENT OR TRANSACTION RELATING OR ATTENDANT THERETO, THE MANAGEMENT OF THE ADVANCES, INCLUDING IN CONNECTION WITH, OR AS A RESULT, IN WHOLE OR IN PART, OF ANY ORDINARY OR MERE NEGLIGENCE OF ADMINISTRATIVE AGENT OR ANY LENDER (OTHER THAN THOSE

MATTERS RAISED EXCLUSIVELY BY A PARTICIPANT AGAINST THE ADMINISTRATIVE AGENT

OR ANY LENDER AND NOT THE BORROWERS), OR THE USE OR INTENDED USE OF THE PROCEEDS OF THE ADVANCES OR LETTERS OF CREDIT HEREUNDER, OR IN CONNECTION WITH ANY INVESTIGATION OF ANY POTENTIAL MATTER COVERED HEREBY, BUT EXCLUDING (i) ANY CLAIM OR LIABILITY THAT ARISES AS THE RESULT OF THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF ANY INDEMNITEE, AS FINALLY JUDICIALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, AND (ii) MATTERS RAISED BY ONE LENDER AGAINST ANOTHER LENDER OR BY ANY SHAREHOLDERS OF A LENDER AGAINST A LENDER OR ITS MANAGEMENT (COLLECTIVELY, "INDEMNIFIED MATTERS"). TO THE EXTENT THAT ANY INDEMNIFIED MATTER INVOLVES ONE OR MORE INDEMNITEES, SUCH INDEMNITEES SHALL USE THE SAME LEGAL COUNSEL UNLESS ANY INDEMNITEE IN ITS REASONABLE DISCRETION DETERMINES THAT CONFLICTS EXIST OR MAY ARISE IN CONNECTION WITH SUCH REPRESENTATION.

(b) IN ADDITION, THE BORROWERS SHALL PERIODICALLY, UPON REQUEST, REIMBURSE EACH INDEMNITEE FOR ITS REASONABLE LEGAL AND OTHER ACTUAL REASONABLE EXPENSES (INCLUDING THE REASONABLE COST OF ANY INVESTIGATION AND PREPARATION) INCURRED IN CONNECTION WITH ANY INDEMNIFIED MATTER. THE REIMBURSEMENT, INDEMNITY AND CONTRIBUTION OBLIGATIONS UNDER THIS SECTION SHALL BE IN ADDITION TO ANY LIABILITY WHICH THE BORROWERS MAY OTHERWISE HAVE, SHALL EXTEND UPON THE SAME TERMS AND CONDITIONS TO EACH INDEMNITEE, AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF ANY SUCCESSORS, ASSIGNS, HEIRS AND PERSONAL REPRESENTATIVES OF THE BORROWERS, THE ADMINISTRATIVE AGENT, THE LENDERS AND ALL OTHER INDEMNITEES. THIS SECTION SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT AND PAYMENT OF THE OBLIGATIONS.

Section 5.10 ENVIRONMENTAL LAW COMPLIANCE. The use which the Parent or any of its Subsidiaries intends to make of any real property which is owned or leased by it will not result in the disposal or other release of any hazardous substance or solid waste on or to such real property which is in violation of Applicable Environmental Laws, the effect of which could reasonably be expected to have a Material Adverse Effect. As used herein, the terms "hazardous substance" and "release" as used in this Section shall have the meanings specified in CERCLA (as defined in the definition of Applicable Environmental Laws), and the terms "solid waste" and "disposal" shall have the meanings specified in RCRA (as defined in the definition of Applicable Environmental Laws); provided, however, that if CERCLA or RCRA is amended so as to broaden or lessen the meaning of any term defined thereby, such broader or lesser meaning shall apply subsequent to the effective date of such amendment; and provided further, to the extent

that any other law applicable to the Parent, any of its Material Subsidiaries or any of their properties establishes a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader or lesser than that specified in either CERCLA or RCRA, such broader or lesser meaning shall apply. The Borrowers agree to indemnify and hold the Administrative Agent and each Lender harmless from and against, and to reimburse them with respect to, any and all claims, demands, causes of action, loss, damage, liabilities, reasonable costs and reasonable expenses (including reasonable attorneys'

fees and courts costs) of any kind or character, known or unknown, fixed or contingent, asserted against or incurred by any of them at any time and from time to time by reason of or arising out of (a) the failure of the Parent or any of its Material Subsidiaries to perform any of their obligations hereunder regarding asbestos or Applicable Environmental Laws, (b) any violation on or before the Release Date of any Applicable Environmental Law in effect on or before the Release Date, and (c) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on such real property or release from such real property of hazardous substances or solid wastes disposed of or otherwise released on or prior to the Release Date), resulting from or in connection with the ownership of the real property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence; provided that, the Parent shall not be under any obligation to indemnify the Administrative Agent or any Lender to the extent that any such liability arises as the result of the negligence or wilful misconduct of such Person, as finally judicially determined by a court of competent jurisdiction. The provisions of this paragraph shall survive the Release Date and shall continue thereafter in full force and effect.

Section 5.11 FURTHER ASSURANCES. At any time or from time to time upon reasonable request by the Administrative Agent, the Parent or any of its Subsidiaries shall execute and deliver such further documents and do such other acts and things as the Administrative Agent may reasonably request in order to effect fully the purposes of this Agreement and the other Loan Documents and to provide for payment of the Obligations in accordance with the terms of this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, the Borrowers agree to update and deliver to the Administrative Agent SCHEDULES 3 AND 4 hereto at the time of delivery of the financial statements set forth in SECTIONS 6.1 and 6.2 hereof if the information provided therein is not complete and correct.

Section 5.12 YEAR 2000 COMPLIANCE. The Parent will promptly notify the Administrative Agent in the event that the Parent discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its or any of its Subsidiaries' business and operations will have a Year 2000 Problem, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

ARTICLE 6

INFORMATION COVENANTS

So long as any of the Obligations are outstanding and unpaid or the Revolving Credit Commitment is outstanding (whether or not the conditions to borrowing have been or can be fulfilled), the Parent shall furnish or cause to

be furnished to each Lender:

Section 6.1 QUARTERLY FINANCIAL STATEMENTS AND INFORMATION. Within 45 days after the end of each fiscal quarter, the consolidated and consolidating balance sheets of the Parent and its Subsidiaries as at the end of such fiscal quarter and the related consolidated and consolidating statements of income for such fiscal quarter and for the elapsed portion of the year ended with the last day of such fiscal quarter, and consolidated and consolidating statements of cash flow for the elapsed portion of the year ended with the last day of such fiscal quarter, all of which shall be certified by the president or chief financial officer or other officer of the Parent acceptable to the Administrative Agent, to be, in his or her opinion acting solely in his or her capacity as an officer of the Parent, present fairly in all material respects, in accordance with GAAP (except for the absence of footnotes), the financial position and results of operations of the Parent and its Subsidiaries as at the end of and for such fiscal quarter, and for the elapsed portion of the year ended with the last day of such fiscal quarter, subject only to normal year-end adjustments.

Section 6.2 ANNUAL FINANCIAL STATEMENTS AND INFORMATION; CERTIFICATE OF NO DEFAULT.

(a) Within 90 days after the end of each fiscal year, a copy of (i) the consolidated and consolidating balance sheets of the Parent and its Subsidiaries, as of the end of the current and prior fiscal years and (ii) the consolidated and consolidating statements of earnings and consolidated statements of changes in shareholders' equity, and statements of cash flow as of and through the end of such fiscal year, all of which are prepared in accordance with GAAP, and certified by independent certified public accountants reasonably acceptable to the Lenders (provided, however, any big six public accounting firm shall be acceptable to the Lenders), whose opinion shall be in scope and substance in accordance with generally accepted auditing standards and shall be unqualified as to scope of audit and going concern.

(b) Simultaneously with the delivery of the statements required by this SECTION 6.2, a letter from the Parent's public accountants certifying that no Default was detected during the examination of the Parent and its Subsidiaries.

(c) As soon as available, but in any event within 90 days following the end of each fiscal year, a copy of the annual consolidated operating budget of the Parent and its Subsidiaries for the succeeding fiscal year.

Section 6.3 COMPLIANCE CERTIFICATE. At the time financial statements are furnished pursuant to SECTIONS 6.1 and 6.2 hereof, the Compliance Certificate, completed as provided therein.

Section 6.4 COPIES OF OTHER REPORTS AND NOTICES.

(a) Promptly upon their becoming available, a copy of (i) all material reports or letters submitted to the Parent or any of its Subsidiaries by accountants in connection with any annual, interim or special audit, including without limitation any report prepared in connection with the annual audit referred to in SECTION 6.2 hereof, and, if requested by the Administrative Agent, any other comment letter submitted to management in connection with any such audit, (ii) each financial statement, report, notice or proxy statement sent by the Parent to stockholders generally, (iii) each regular, periodic or other report and any registration statement (other than statements on Form S-8) or prospectus (or material written communication in respect of any thereof) filed by the Parent or any of its Subsidiaries with any securities exchange, with the Securities and Exchange Commission or any successor agency, and (iv) all press releases concerning material financial aspects of the Parent or any of its Subsidiaries;

(b) Promptly upon becoming aware that (i) the holder(s) of any note(s) or other evidence of indebtedness or other security of the Parent or any of its Subsidiaries in excess of $250,000 in the aggregate has given notice or taken any action with respect to a breach, failure to perform, claimed default or event of default thereunder, (ii) any occurrence or non-occurrence of any event which constitutes or which with the passage of time or giving of notice or both could constitute a material breach by the Parent or any of its Material Subsidiaries under any material agreement or instrument other than this Agreement to which the Parent or any of its Material Subsidiaries is a party or by which any of their properties may be bound, or (iii) any event, circumstance or condition which could reasonably be expected to be classified as a Material Adverse Effect, a written notice specifying the details thereof (or the nature of any claimed default or event of default) and what action is being taken or is proposed to be taken with respect thereto;

(c) Promptly upon becoming aware that any party to any Capitalized Lease Obligations or Operating Lease, in each case, in excess of $250,000, has given notice or taken any action with respect to a breach, failure to perform, claimed default or event of default thereunder, a written notice specifying the details thereof (or the nature of any claimed default or event of default) and what action is being taken or is proposed to be taken with respect thereto;

(d) Promptly upon receipt thereof, information with respect to and copies of any notices received from any Tribunal relating to any order, ruling, law, information or policy that relates to a breach of or noncompliance with any Law, or could reasonably be expected to result in the payment of money by the Parent or any of its Subsidiaries in an amount of $250,000 or more in the aggregate, or otherwise have a Material Adverse Effect, or result in the loss or suspension of any Necessary Authorization where such loss could reasonably be expected to have a Material Adverse Effect; and

(e) From time to time and promptly upon each request, such data, certificates, reports, statements, documents or further information regarding the assets, business, liabilities, financial position, projections, results of operations or business prospects of the Parent and its

Subsidiaries, as the Administrative Agent or any Lender may reasonably request.

Section 6.5 NOTICE OF LITIGATION, DEFAULT AND OTHER MATTERS. Prompt notice of the following events after the Parent has knowledge or notice thereof:

(a) The commencement of all Litigation and investigations by or before any Tribunal, and all actions and proceedings in any court or before any arbitrator involving claims for damages (including punitive damages) in excess of $250,000 (after deducting the amount with respect to which the Parent or any of its Subsidiaries is insured), against or in any other way relating directly to the Parent, any of its Subsidiaries, or any of their respective properties or businesses; and

(b) Promptly upon the happening of any condition or event of which the Parent has current actual knowledge which constitutes a Default, a written notice specifying the nature and period of existence thereof and what action is being taken or is proposed to be taken with respect thereto.

Section 6.6 ERISA REPORTING REQUIREMENTS.

(a) Promptly and in any event (i) within 30 days after the Parent or any member of its Controlled Group has current actual knowledge that any ERISA Event described in clause (a) of the definition of ERISA Event or any event described in Section 4063(a) of ERISA with respect to any Plan of the Parent or any member of its Controlled Group has occurred, and (ii) within 10 days after the Parent or any member of its Controlled Group has current actual knowledge that any other ERISA Event with respect to any Plan of the Parent or any member of its Controlled Group has occurred or a request for a minimum funding waiver under Section 412 of the Code with respect to any Plan of the Parent or any member of its Controlled Group, a written notice describing such event and describing what action is being taken or is proposed to be taken with respect thereto, together with a copy of any notice of event that is given to the PBGC;

(b) Promptly and in any event within three Business Days after receipt thereof by the Parent or any member of its Controlled Group from the PBGC, copies of each notice received by the Parent or any member of its Controlled Group of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(c) Promptly and in any event within 30 days after the filing thereof by the Parent or any member of its Controlled Group with the United States Department of Labor or the Internal Revenue Service, copies of each annual report (including Schedule B thereto, if applicable) with respect to each Plan subject to Title IV of ERISA of which Borrower or any member of its Controlled Group is the "plan sponsor";

(d) Promptly, and in any event within 10 Business Days after receipt thereof, a copy of any correspondence the Parent or any member of its Controlled Group receives from the Plan

Sponsor (as defined by Section 4001(a)(10) of ERISA) of any Plan concerning potential withdrawal liability pursuant to Section 4219 or 4202 of ERISA, and a statement from the chief financial officer of the Parent or such member of its Controlled Group setting forth details as to the events giving rise to such potential withdrawal liability and the action which the Parent or such member of its Controlled Group is taking or proposes to take with respect thereto;

(e) Notification within 30 days of any material increases in the benefits of any existing Plan which is not a Multiemployer Plan, or the establishment of any new Plans, or the commencement of contributions to any Plan to which the Parent or any member of its Controlled Group was not previously contributing which would in either case result in a material liability to the Parent;

(f) Notification within three Business Days after the Parent or any member of its Controlled Group knows that the Parent or any such member of its Controlled Group has filed or intends to file a notice of intent to terminate any Plan under a distress termination within the meaning of Section 4041(c) of ERISA and a copy of such notice; and

(g) Within three Business Days after receipt of written notice of commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Parent or any member of its Controlled Group with respect to any Plan, except those which, in the aggregate, if adversely determined could not have a Material Adverse Effect.

ARTICLE 7

NEGATIVE COVENANTS

So long as any of the Obligations are outstanding and unpaid or the Revolving Credit Commitment is outstanding (whether or not the conditions to borrowing have been or can be fulfilled):

Section 7.1 INDEBTEDNESS. The Parent shall not, and shall not permit any of its Subsidiaries to, create, assume, incur or otherwise become or remain obligated in respect of, or permit to be outstanding, or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Accounts payable and accrued liabilities incurred in the ordinary course of business; PROVIDED, HOWEVER, all obligations of the Borrowers to any of their respective Subsidiaries in respect of accounts payable and accrued liabilities shall be subject to a Subordination Agreement;

(c) Indebtedness, including in respect of Capitalized Lease Obligations, incurred to purchase, or to finance the purchase of, assets which constitute property, plant and equipment in an aggregate principal amount not in excess of $2,500,000 outstanding at any time;

(d) Interest hedging obligations under Interest Hedge Agreements entered into with any Lender or any Affiliate of any Lender;

(e) Indebtedness existing on the Agreement Date which is described on SCHEDULE 6 hereto, including renewals (but no increases);

(f) Indebtedness in respect of endorsement of negotiable instruments in the ordinary course of business;

(g) Institutional Debt, the Net Cash Proceeds of which are used to prepay Revolving Credit Advances to the extent required in SECTION 2.5(e) hereof; and

(h) Other Indebtedness not to exceed $5,000,000 in aggregate principal amount outstanding at any time.

Section 7.2 LIENS. The Parent shall not, and shall not permit any of its Subsidiaries to, create, assume, incur, permit or suffer to exist, directly or indirectly, any Lien on any of its assets, whether now owned or hereafter acquired, except Permitted Liens. The Parent shall not, and shall not permit any of its Subsidiaries to, agree with any other Person that it shall not create, assume, incur, permit or suffer to exist or to be created, assumed, incurred or permitted to exist, directly or indirectly, any Lien on any of its assets.

Section 7.3 INVESTMENTS. The Parent shall not, and shall not permit any of its Subsidiaries to, make any Investment, except that the Parent and any of its Subsidiaries may purchase or otherwise acquire and own:

(a) Cash and Cash Equivalents;

(b) Accounts receivable that arise in the ordinary course of business and are payable on standard terms;

(c) Investments in existence on the Agreement Date which are described on SCHEDULE 5 hereto;

(d) Investments which are Acquisitions permitted pursuant to SECTION 7.6 hereof;

(e) Investments in the form of Interest Hedge Agreements permitted by SECTION 7.1(d) hereof;

(f) Investments (excluding accounts receivable from Foreign Subsidiaries created in the ordinary course of business) in, and expenditures in respect of Acquisitions of, Foreign Subsidiaries by the Parent in an aggregate amount not to exceed (calculated immediately prior to the date of each such Investment or Acquisition) 50% of Net Worth at any time outstanding; and

(g) Other Investments not to exceed $500,000 in aggregate amount outstanding at any time.

Section 7.4 LIQUIDATION, MERGER, NEW SUBSIDIARIES. The Parent shall not, and shall not permit any of its Subsidiaries to, at any time:

(a) liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, except that a Subsidiary of the Parent may liquidate or dissolve into the Parent or a Subsidiary of the Parent which is (i) a Borrower, (ii) a Domestic Subsidiary, (iii) in the case of any Foreign Subsidiary directly owned by the Parent, a Borrower, a Domestic Subsidiary or any other Foreign Subsidiary directly owned by the Parent, or (iv) in the case of any other Foreign Subsidiary, a Borrower, a Domestic Subsidiary, or any other Foreign Subsidiary;

(b) enter into any merger or consolidation unless (i) with respect to a merger or consolidation involving the Parent, the Parent shall be the surviving corporation, or if the merger or consolidation involves a Subsidiary of the Parent and not the Parent, such surviving corporation shall be (A) a Borrower, (B) a Domestic Subsidiary, (C) in the case of any Foreign Subsidiary directly owned by the Parent, the Borrower, a Domestic Subsidiary or any other Foreign Subsidiary directly owned by the Parent, or (D) in the case of any other Foreign Subsidiary, the Borrower, a Domestic Subsidiary, or any other Foreign Subsidiary, (ii) such transaction shall not be utilized to circumvent compliance with any term or provision herein and (iii) no Default or Event of Default shall then be in existence or occur as a result of such transaction; or

(c) create or acquire any Subsidiary except as permitted pursuant to SECTION 7.6 hereof.

Section 7.5 SALES OF ASSETS. The Parent shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of, any of its assets except (a) inventory in the ordinary course of business, (b) obsolete or worn-out assets, (c) asset sales in which the Net Cash Proceeds from the disposition thereof are reinvested, within 90 days before or after such disposition, in productive tangible assets of a similar nature of the Parent and its Subsidiaries, (d) asset sales the Net Cash Proceeds of which are applied in accordance with SECTION 2.5(c) hereof and (e) any assets (determined at the

greater of book or fair market value) during any Fiscal Year in an aggregate amount not in excess of $1,000,000.

Section 7.6 ACQUISITIONS. The Parent shall not, and shall not permit any of its Subsidiaries to, make any Acquisitions; provided, however, if immediately prior to and after

giving effect to the proposed Acquisition there shall not exist a Default or Event of Default, the Parent or any of its Subsidiaries may make Acquisitions so long as (a) Lenders shall have received written notice at least 30 Business Days prior to the date of such Acquisition, (b) if the Acquisition Consideration for such Acquisition exceeds $20,000,000, (A) the Administrative Agent shall have received at least 20 Business Days prior to the date of such Acquisition a Compliance Certificate setting forth the covenant calculations both immediately prior to and after giving effect to the proposed Acquisition and (B) notwithstanding the calculation of Applicable Margin set forth in SECTION 1.1 hereof, the commitment fee set forth in SECTION 2.4(a) hereof or the fee for Letters of Credit set forth in SECTION 2.15(f)(i) hereof, the Applicable Margin, such commitment fee and such Letter of Credit fee shall be adjusted effective as of the date of such Acquisition based on a pro forma calculation of the Leverage Ratio for the four fiscal quarters immediately preceding the date of such Acquisition, (c) the assets, property or business acquired shall be in the business described in SECTION 4.1(d) hereof, (d) if such Acquisition results in a Domestic Subsidiary directly owned by the Parent or a Domestic Subsidiary of the Parent, (A) such Subsidiary shall execute a Subsidiary Guaranty and (B) the Lenders receive such board resolutions, officer's certificates and opinions of counsel as the Administrative Agent shall reasonably request in connection with the Subsidiary Guaranty, (e) if such Acquisition results in a Foreign Subsidiary, (A) 66% of such Subsidiary's Capital Stock shall be pledged to secure the Obligations pursuant to a Pledge Agreement and (B) the Lenders receive such board resolutions, officer's certificates and opinions of counsel as the Administrative Agent shall reasonably request in connection with clause (A) immediately preceding and (f) the Person or assets being acquired shall have had EBITDA (but calculated with respect to such Person or assets) of greater than zero for the twelve-month period immediately preceding the date of Acquisition. Notwithstanding anything in this SECTION 7.6 or any other provision of this Agreement to the contrary, the Acquisition Consideration for any single Acquisition shall not exceed $40,000,000, and (b) the aggregate amount of expenditures made on and after the Agreement Date in respect of Acquisitions of, and Investments made on and after the Agreement Date in, Foreign Subsidiaries by the Parent shall not exceed (calculated immediately prior to the date of each such Investment or Acquisition) 50% of Net Worth at any time outstanding.

Section 7.7 CAPITAL EXPENDITURES. The Parent shall not, and shall not permit any of its Subsidiaries to, make or commit to make any Capital Expenditures (a) during Fiscal Year 1999 in excess of $16,000,000 in aggregate

amount and (b) during any Fiscal Year thereafter in excess of $15,000,000 in aggregate amount (in the case of clause (a) and (b), the "Maximum Amount") PROVIDED, HOWEVER, that the Maximum Amount for each fiscal year shall be increased by an amount equal to the excess, if any, of the Maximum Amount for the previous fiscal year (before making any adjustments in accordance with this proviso) over the actual aggregate Capital Expenditures for such previous fiscal year.

Section 7.8 RESTRICTED PAYMENTS. The Parent shall not, and shall not permit any of its Subsidiaries to, directly or indirectly declare, pay or make any Restricted Payments except (i) any Subsidiary may declare and pay Dividends to its parent, and (ii) any Foreign Subsidiary may declare and pay Dividends in respect of its Capital Stock issued to its directors, to the extent

such issuance is required by law.

Section 7.9 AFFILIATE TRANSACTIONS. The Parent shall not, and shall not permit any of its Subsidiaries to, at any time engage in any transaction with an Affiliate on terms materially less advantageous to the Parent or such Subsidiary than would be the case if such transaction had been effected with a non-Affiliate (other than compensation and advances to employees in the ordinary course of business). The Parent shall not, and shall not permit any of its Subsidiaries to, in any event incur or suffer to exist any Indebtedness or Guaranty in favor of any Affiliate, unless such Affiliate shall subordinate the payment and performance thereof to the Obligations on terms, conditions and documentation satisfactory to the Determining Lenders.

Section 7.10 COMPLIANCE WITH ERISA. The Parent shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, or permit any member of its Controlled Group to directly or indirectly, (a) terminate any Plan so as to result in any material (in the opinion of the Determining Lenders) liability to the Parent or any member of its Controlled Group taken as a whole, (b) permit to exist any ERISA Event, or any other event or condition which could reasonably be expected to have a Material Adverse Effect, (c) make a complete or partial withdrawal (within the meaning of Section 4201 of ERISA) from any Multiemployer Plan so as to result in any material (in the opinion of the Determining Lenders) liability to the Parent or any member of its Controlled Group taken as a whole, (d) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder which could reasonably be expected to have a Material Adverse Effect, or (e) permit the present value of all benefit liabilities, as defined in Title IV of ERISA, under each Plan (other than a Multiemployer Plan) of the Parent or any member of its Controlled Group (using the actuarial assumptions utilized by each such Plan) to exceed the fair market value of Plan assets allocable to such benefits by more than $100,000, all determined as of the most recent valuation date for each such Plan.

Section 7.11 MAXIMUM LEVERAGE RATIO. The Parent shall not permit the

Leverage Ratio to be greater than 3.00 to 1 at the end of any fiscal quarter.

Section 7.12 MINIMUM FIXED CHARGE COVERAGE RATIO. The Parent shall not permit the Fixed Charge Coverage Ratio to be less than 2.50 to 1 at the end of any fiscal quarter.

Section 7.13 MINIMUM NET WORTH. The Borrower shall not permit the Net Worth at any time to be less than the sum of (a) $85,000,000, plus (b) 85% of cumulative Net Income for the period from and including April 1, 1999 to the date of calculation (but excluding from the calculation of such cumulative Net Income the effect, if any, of any fiscal quarter, or a portion of a fiscal quarter not yet ended, for which the Net Income was a negative number), plus (c) an amount equal to 100% of any increase in Net Worth pursuant to issuances of Capital Stock of the Parent or any of its Subsidiaries or pursuant to the conversion or exchange of any convertible subordinated debt or redeemable preferred stock into Capital Stock of the Parent or any of its Subsidiaries.

Section 7.14 SALE AND LEASEBACK. The Parent shall not, and shall not permit any of its Subsidiaries to, enter into any arrangement whereby it sells or transfers any of its assets, and thereafter rents or leases such assets.

Section 7.15 SALE OR DISCOUNT OF RECEIVABLES. The Parent shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, sell, with or without recourse, for discount or otherwise, any notes or accounts receivable.

Section 7.16 BUSINESS. Neither the Parent nor any of its Subsidiaries shall conduct any business other than the business described in SECTION 4.1(d) hereof.

Section 7.17 FISCAL YEAR. Neither the Parent nor any of its Subsidiaries shall change its fiscal year.

ARTICLE 8

DEFAULT

Section 8.1 EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default, whatever the reason for such event, and whether voluntary, involuntary, or effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or non-governmental body:

(a) Any representation or warranty made under any Loan Document shall prove to have been incorrect or misleading in any material respect when made;

(b) The Borrowers shall fail to pay any (i) principal under any Note when

due or (ii) interest under any Note or any fees payable hereunder or any other costs, fees, expenses or other amounts payable hereunder or under any other Loan Document within 3 days after the date due;

(c) The Parent or any of its Subsidiaries shall default in the performance or observance of any agreement or covenant contained in SECTION 5.1 or ARTICLE 7 hereof and, if such default is capable of being cured by the payment of cash, such default is not cured within three Business Days after discovery thereof by the Parent by the making of a Shareholder Contribution;

(d) The Parent or any of its Subsidiaries shall default in the performance or observance of any other agreement or covenant contained in this Agreement not specifically referred to elsewhere in this SECTION 8.1, and such default shall not be cured within a period of 30 days after the earlier of notice from the Administrative Agent thereof or actual notice thereof by the Parent or such Subsidiary;

(e) There shall occur any default or breach in the performance or observance of any agreement or covenant in any of the Loan Documents (other than this Agreement) and such default shall not be cured within a period of 30 days after the earlier of notice from the Administrative Agent thereof or actual notice thereof by the Parent or any of its Subsidiaries;

(f) There shall be entered a decree or order by a court having competent jurisdiction constituting an order for relief in respect of the any Borrower or any Material Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal, state or foreign bankruptcy law or other similar law, or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of such Borrower or any Material Subsidiary, or of any substantial part of their respective properties, or ordering the winding-up or liquidation of the affairs of such Borrower or any Material Subsidiary, and any such decree or order shall continue unstayed and in effect for a period of 45 consecutive days;

(g) Any Borrower or any Material Subsidiary shall file a petition, answer or consent seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal, state or foreign bankruptcy law or other similar law, or any Borrower or any Material Subsidiary shall consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment or taking of possession of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of any Borrower or any Material Subsidiary or of substantially all of its properties, or any Borrower or any Material Subsidiary shall make a general assignment for the benefit of creditors, or take any action in furtherance of any such action;

(h) A final judgment or judgments shall be entered by any court against the Parent or any of its Subsidiaries for the payment of money which exceeds

$250,000 in the aggregate, or a warrant of attachment or execution or similar process shall be issued or levied against property of the Parent or any of its Subsidiaries which, together with all other such property of the Parent and its Subsidiaries subject to other such process, exceeds in value $250,000 in the aggregate, and if such judgment or award is not insured or, within 30 days after the entry, issue or levy thereof, such judgment, warrant or process shall not have been paid or discharged or stayed pending appeal, or if, after the expiration of any such stay, such judgment, warrant or process shall not have been paid or discharged;

(i) With respect to any Plan of the Parent or any member of its Controlled Group: (i) the Borrower, any such member, or any other party-in-interest or disqualified person shall engage in transactions which in the aggregate would reasonably result in a direct or indirect liability to the Parent or any member of its Controlled Group under Section 409 or 502 of ERISA or Section 4975 of the Code; (ii) the Parent or any member of its Controlled Group shall incur any accumulated funding deficiency, as defined in Section 412 of the Code, or request a funding waiver from the Internal Revenue Service for contributions; (iii) the Parent or any member of its Controlled Group shall incur any withdrawal liability as a result of a complete or partial

withdrawal within the meaning of Section 4203 or 4205 of ERISA, or any other liability with respect to a Plan, unless the amount of such liability has been funded within the Plan or pursuant to one or more insurance contracts; (iv) the Parent or any member of its Controlled Group shall fail to make a required contribution by the due date under Section 412 of the Code or Section 302 of ERISA which would result in the imposition of a lien under Section 412 of the Code or Section 302 of ERISA; (v) the Parent, any member of its Controlled Group or any Plan sponsor shall notify the PBGC of an intent to terminate, or the PBGC shall institute proceedings to terminate, or the PBGC shall institute proceedings to terminate, any Plan subject to Title IV of ERISA; (vi) a Reportable Event shall occur with respect to a Plan subject to Title IV of ERISA, and within 15 days after the reporting of such Reportable Event to the Administrative Agent, the Administrative Agent shall have notified the Parent in writing that the Determining Lenders have made a determination that, on the basis of such Reportable Event, there are reasonable grounds for the termination of such Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Plan and as a result thereof an Event of Default shall have occurred hereunder; (vii) a trustee shall be appointed by a court of competent jurisdiction to administer any Plan or the assets thereof; (viii) the benefits of any Plan shall be increased, or the Parent or any member of its Controlled Group shall begin to maintain, or begin to contribute to, any Plan, without the prior written consent of the Determining Lenders; or (ix) any ERISA Event with respect to a Plan subject to Title IV of ERISA shall have occurred, and 30 days thereafter (A) such ERISA Event, other than such event described in clause (f) of the definition of ERISA Event herein, (if correctable) shall not have been corrected and (B) the then present value of

such Plan's benefit liabilities, as defined in Title IV of ERISA, shall exceed the then current value of assets accumulated in such Plan; PROVIDED, HOWEVER, that the events listed in subsections (i) - (ix) above shall constitute Events of Default only if the maximum aggregate liability which the Parent or any member of its Controlled Group has a reasonable likelihood of incurring under the applicable provisions of ERISA resulting from an event or events exceeds $250,000;

(j) The Parent or any of its Subsidiaries shall default in the payment of any Indebtedness or any lease obligations in an aggregate amount of $500,000 or more beyond any grace period provided with respect thereto, or shall default in the performance of any agreement or instrument under which such Indebtedness is created or evidenced beyond any applicable grace period, if the effect of such default is to permit or cause the holder of such Indebtedness (or a trustee on behalf of any such holder) to (i) cause such Indebtedness to become due prior to its date of maturity or (ii) require the Borrower or any Subsidiary of the Borrower to purchase or redeem such Indebtedness;

(k) Any lease where the Parent or any of its Subsidiaries is the lessee shall terminate or cease to be effective, and termination or cessation thereof, together with all other leases, if any, which have been terminated or cease to be effective, could reasonably be expected to have a Material Adverse Effect; provided, however, that termination or cessation of a lease shall not constitute an Event of Default if another lease reasonably satisfactory to the Determining Lenders is contemporaneously substituted therefor;

(l) Any material provision of any Loan Document shall for any reason cease to be valid and binding on or enforceable against any party to it (other than the Administrative Agent or any Lender) in all material respects, or any such party (other than the Administrative Agent or any Lender) shall so assert in writing;

(m) The Parent shall fail to own (i) 99% of the Capital Stock of PUM or (ii) 100% of the Capital Stock of PEI, IPD or Melcher;

(n) Except as a result of the Administrative Agent's gross negligence or wilful misconduct, the Administrative Agent shall fail to have a valid and perfected first priority Lien in 66% of the Capital Stock of PUM, PEI, Melcher or any other Foreign Subsidiary required to be pledged hereunder; or

(o) A Change of Control shall occur.

Section 8.2 REMEDIES. If an Event of Default shall have occurred and shall be continuing:

(a) With the exception of an Event of Default specified in SECTION 8.1(f) or (g) hereof, the Administrative Agent shall, upon the direction of the Determining Lenders, terminate the Revolving Credit Commitment and/or declare

the principal of and interest on the Advances and all Obligations and other amounts owed under the Loan Documents to be forthwith due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything in the Loan Documents to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in SECTION 8.1(f) or (g) hereof, such principal, interest and other amounts shall thereupon and concurrently therewith become due and payable and the Revolving Credit Commitment shall forthwith terminate, all without any action by the Administrative Agent, any Lender or any holders of the Notes and without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in the Loan Documents to the contrary notwithstanding.

(c) If any Letter of Credit shall be then outstanding, the Administrative Agent may demand upon the Borrowers to, and forthwith upon such demand (but in the case of an Event of Default specified in SECTION 8.1(f) or (g) hereof, without any demand or taking of any other action by the Administrative Agent or any other Lender), the Borrowers shall, pay to the Administrative Agent in same day funds at the office of the Administrative Agent for deposit in the L/C Cash Collateral Account, an amount equal to the maximum amount available to be drawn under the Letters of Credit then outstanding.

(d) The Administrative Agent and the Lenders may exercise all of the Rights granted to them under the Loan Documents or under Applicable Law.

(e) The Rights of the Administrative Agent and the Lenders hereunder shall be cumulative, and not exclusive.

ARTICLE 9

CHANGES IN CIRCUMSTANCES

Section 9.1 OFFSHORE BASIS DETERMINATION INADEQUATE. If with respect to any proposed Offshore Advance for any Interest Period, (i) any Lender determines that deposits in Dollars or an Approved Offshore Currency (in the applicable amount) are not being offered to that Lender in the relevant market for such Interest Period or (ii) the Determining Lenders determine that the Offshore Dollar Rate or Approved Offshore Currency Rate, as appropriate, for such proposed Offshore Advance does not adequately cover the cost to such Lender of making and maintaining such proposed Offshore Advance for such Interest Period, such Lender or Determining Lenders, as the case may be, shall forthwith give notice thereof to the Borrowers, whereupon until such Lender or Determining Lenders, as the case may be, notify the Borrowers that the circumstances giving rise to such situation no longer exist, the obligation of such Lender to make

Offshore Advances shall be suspended; PROVIDED, HOWEVER, such Lender or the Determining Lenders, as the case may be, shall promptly notify the Borrowers if the circumstances giving rise to such situation no longer exist.

Section 9.2 ILLEGALITY. If any change in applicable law, rule or regulation, or adoption thereof, or any change in any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Offshore Lending Office or its Approved Offshore Currency Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for such Lender (or its Offshore Lending Office or its Approved Offshore Currency Lending Office) to make, maintain or fund its Offshore Advances, such Lender shall so notify the Borrowers and the Administrative Agent. Before giving any notice to the Borrowers pursuant to this Section, the notifying Lender shall designate a different Offshore Lending Office or Approved Offshore Currency Lending Office if such designation will avoid the need for giving such notice and will not, in the sole judgment of the Lender, be materially disadvantageous to the Lender. Upon receipt of such notice, notwithstanding anything contained in ARTICLE 2 hereof, the Borrowers shall repay in full the then outstanding principal amount of each Offshore Advance owing to the notifying Lender, together with accrued interest thereon and any reimbursement required under SECTION 2.9 hereof, on either (a) the last day of the Interest Period applicable to such Advance, if the Lender may lawfully continue to maintain and fund such Advance to such day, or (b) immediately, if the Lender may not lawfully continue to fund and maintain such Advance to such day or if the Borrower so elects. Concurrently with repaying each affected Offshore Advance owing to such Lender if the Borrowers do not terminate this Agreement,

notwithstanding anything contained in ARTICLE 2 hereof, the Borrowers shall, without any requirement to satisfy the conditions precedent set forth in SECTION 3.1, 3.2 or 3.3, borrow a Base Rate Advance from such Lender, and such Lender shall make such Base Rate Advance, in an amount such that the outstanding principal amount of the Revolving Credit Advances owing to such Lender shall equal the outstanding principal amount of the Revolving Credit Advances owing immediately prior to such repayment.

Section 9.3 INCREASED COSTS.

(a) If (a) the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards" or (b) any change in or adoption of any law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof or compliance by any Lender (or its Offshore Lending

Office or Approved Offshore Currency Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or compatible agency:

(i) shall subject a Lender (or its Offshore Lending Office or its Approved Offshore Currency Lending Office) to any Tax (net of any tax benefit engendered thereby) imposed after the Agreement Date with respect to its Offshore Advances or its obligation to make such Advances, or shall change after the Agreement Date the basis of taxation of payments to a Lender (or to its Offshore Lending Office or its Approved Offshore Currency Lending Office) of the principal of or interest on its Offshore Advances or in respect of any other amounts due under this Agreement, as the case may be, or its obligation to make such Advances (except for changes in the rate of tax on the overall net income, net worth or capital of the Lender and franchise taxes, doing business taxes or minimum taxes imposed upon such Lender); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, a Lender's Offshore Lending Office or Approved Offshore Currency Lending Office or shall impose on the Lender (or its Offshore Lending Office or its Approved Offshore Currency Lending Office) or on the London interbank market any other condition affecting its Offshore Advances or its obligation to make such Advances (but excluding any reserves or deposits that are included in the calculation of Offshore Basis);

and the result of any of the foregoing is to increase the cost to a Lender (or its Offshore Lending Office or its Approved Offshore Currency Lending Office) of making or maintaining any Offshore Advances, or to reduce the amount of any sum received or receivable by a Lender (or

its Offshore Lending Office or its Approved Offshore Currency Lending Office) with respect thereto, by an amount deemed by a Lender to be material, then, within 30 days after demand by a Lender, the Borrowers agree to pay to such Lender such additional amount as will compensate such Lender for such increased costs or reduced amounts, subject to SECTION 11.9 hereof. The affected Lender will as soon as practicable notify the Borrowers of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section and will designate a different Offshore Lending Office or Approved Offshore Currency Lending Office or other lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of the affected Lender made in good faith, be disadvantageous to such Lender.

(b) A certificate of any Lender claiming compensation under this Section

and setting forth the additional amounts to be paid to it hereunder shall certify that such amounts or costs were actually incurred by such Lender and shall show in reasonable detail an accounting of the amount payable and the calculations used to determine in good faith such amount and shall be conclusive absent manifest or demonstrable error. In determining such amount, a Lender may use any reasonable averaging and attribution methods. Nothing in this SECTION 9.3 shall provide the Parent or any of its Subsidiaries the right to inspect the records, files or books of any Lender. If a Lender demands compensation under this Section, the Borrowers may at any time, upon at least five Business Days' prior notice to the Lender, after reimbursement to the Lender by the Borrowers in accordance with this Section of all costs incurred, prepay in full the then outstanding Offshore Advances of the Lender, together with accrued interest thereon to the date of prepayment, along with any reimbursement required under SECTION 2.9 hereof. Concurrently with prepaying such Offshore Advances, the Borrowers shall borrow a Base Rate Advance from the Lender, and the Lender shall make such Base Rate Advance, in an amount such that the outstanding principal amount of the Revolving Credit Advances owing to such Lender shall equal the outstanding principal amount of the Revolving Credit Advances owing immediately prior to such prepayment.

Section 9.4 EMU CHANGES.

(a) If, as a result of the implementation of Emu, (i) any currency available for borrowing under this Agreement (a "NATIONAL CURRENCY") ceases to be lawful currency of the state issuing the same and is replaced by the Euro or (ii) any national currency and the Euro are at the same time both recognized by the central bank or comparable governmental authority of the state issuing such currency as lawful currency of such state and the Administrative Agent or the Determining Lenders shall so request in a notice delivered to the Parent, then any amount payable hereunder by any party hereto in such national currency (including, without limitation, any Advance to be made under this Agreement) shall instead be payable in the Euro and the amount so payable shall be determined by redenominating or converting such amount into the Euro at the exchange rate officially fixed by the European Central Bank for the purpose of implementing the Emu, PROVIDED, that to the extent any Emu Legislation provides that an amount denominated either in the Euro or in the applicable national currency can be paid either in Euros

or in the applicable national currency, each party to this Agreement shall be entitled to pay or repay such amount in Euros or in the applicable national currency. Prior to the occurrence of the event or events described in clause (i) or (ii) of the preceding sentence, each amount payable hereunder in any such national currency will, except as otherwise provided herein, continue to be payable only in that national currency.

(b) The Borrowers agree, at the request of any Lender, to compensate such Lender for any loss, cost, expense or reduction in return, incurred or suffered by such Lender upon or after any of the occurrence of any of the events referred

to in clauses (i) or (ii) of the first sentence of SECTION 9.4(a), that such Lender shall reasonably determined shall be incurred or sustained by such Lender as a result of the implementation of the Emu and that would not have been incurred or sustained but for the transactions provided for herein, and that was incurred or sustained during the 120-day period prior to the date of demand therefor by such Lender. A certificate of a Lender setting forth in reasonably detail such Lender's calculation of the amount or amounts necessary to compensate such Lender shall be delivered to the Parent and shall be conclusive absent manifest error so long as such determination is made on a reasonable basis. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(c) In addition, this Agreement (including, without limitation, the definition of Approved Offshore Currency Rate) will be amended to the extent determined by the Administrative Agent and the Borrowers to be necessary to reflect such implementation of the Emu and replacement of any national currency by the Euro and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if such implementation and change in currency had not occurred. Except as provided in the foregoing provisions of this Section, no such implementation or replacement of any national currency by the Euro nor any economic consequences resulting therefrom shall (i) give rise to any right to terminate prematurely, contest, cancel, rescind, alter, modify or renegotiate the provisions of this Agreement or (ii) discharge, excuse or otherwise affect the performance of any obligations of any parties to this Agreement or other Loan Documents or to any assert any claims for compensation as a result of the matters covered in this SECTION 9.4.

(d) Each Lender shall use its reasonable best efforts (consistent with its internal policy and legal and regulatory restrictions) to minimize any amounts payable by the Borrowers under this SECTION 9.4.

Section 9.5 EFFECT ON BASE RATE ADVANCES. If notice has been given pursuant to SECTION 9.1, 9.2, 9.3 or 9.4 hereof suspending the obligation of a Lender to make Offshore Advances, or requiring Offshore Advances of a Lender to be repaid or prepaid, then, unless and until the Lender notifies the Borrower that the circumstances giving rise to such repayment no longer apply, all Advances which would otherwise be made by such Lender as Offshore Advances shall be made instead as Base Rate Advances.

Section 9.6 CAPITAL ADEQUACY. If (a) the applicability of any law, rule, regulation or guideline adopted after the Agreement Date pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", (b) the introduction of or any change in or in the interpretation of any law, rule or regulation after the Agreement Date or (c) compliance by a Lender with any law, rule or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) adopted or promulgated after the

Agreement Date affects or would affect the amount of capital required or expected to be maintained by a Lender or any corporation controlling such Lender, and such Lender determines that the amount of such capital is increased by or based upon the existence of such Lender's commitment or Advances hereunder and other commitments or advances of such Lender of this type, then, within 30 days after demand by such Lender, subject to SECTION 11.9, the Borrowers shall immediately pay to such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender with respect to such circumstances, to the extent that such Lender reasonably determines in good faith such increase in capital to be allocable to the existence of such Lender's share of the Revolving Credit Commitment hereunder. A certificate as to any additional amounts payable to any Lender under this SECTION 9.5 submitted to the Borrowers by such Lender shall certify that such amounts were actually incurred by such Lender or corporation controlling such Lender and shall show in reasonable detail an accounting of the amount payable and the calculations used to determine in good faith such amount and shall be conclusive absent manifest or demonstrable error. In determining such amount, such Lender or a corporation controlling such Lender may use any reasonable averaging and attribution methods. Notwithstanding the foregoing, nothing in this SECTION 9.6 shall provide the Parent or any of its Subsidiaries the right to inspect the records, files or books of any Lender or any corporation controlling such Lender.

Section 9.7 REPLACEMENT LENDER. If the Borrower becomes obligated to pay additional amounts to any Lender described in SECTION 9.3, 9.4 or 9.6, the Borrowers may designate a financial institution reasonably acceptable to the Administrative Agent to replace such Lender by purchasing for cash and receiving an assignment of such Lender's Specified Percentage share of such Lender's share of the Revolving Credit Commitment and the Rights of such Lender under the Loan Documents without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding amounts owing to such Lender (including such additional amounts owing to such Lender pursuant to SECTION 9.3, 9.4 or 9.6). Upon execution of an Assignment Agreement, such other financial institution shall be deemed to be a "Lender" for all purposes of this Agreement as set forth in SECTION 11.6 hereof.

ARTICLE 10

AGREEMENT AMONG LENDERS

Section 10.1 AGREEMENT AMONG LENDERS. The Lenders agree among themselves that:

(a) ADMINISTRATIVE AGENT. Each Lender hereby appoints the Administrative Agent as its nominee in its name and on its behalf, to receive all documents and items to be furnished hereunder; to act as nominee for and on behalf of all Lenders under the Loan Documents; to, except as otherwise expressly set forth

herein, take such action as may be requested by the Determining Lenders, provided that, (i) unless and until the Administrative Agent shall have received such requests, the Administrative Agent may take such administrative action, or refrain from taking such administrative action, as it may deem advisable and in the best interests of the Lenders, and (ii) the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to any Loan Document or Applicable Law; to arrange the means whereby the proceeds of the Revolving Credit Advances of the Lenders are to be made available to the Borrowers; to distribute promptly to each Lender information, requests and documents received from the Borrowers, and each payment (in like funds received) with respect to any of such Lender's Revolving Credit Advances, fee or other amount; and to deliver to the Borrowers requests, demands, approvals and consents received from the Lenders. Administrative Agent agrees to promptly distribute to each Lender, at such Lender's address set forth below information, requests, documents and payments received from the Borrowers. The Administrative Agent shall have no fiduciary relationship in respect of any Lender by reason of this Agreement or any other Loan Document. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. The duties of the Administrative Agent under the Loan Documents are merely mechanical and administrative in nature.

(b) REPLACEMENT OF ADMINISTRATIVE AGENT. Should the Administrative Agent or any successor Administrative Agent ever cease to be a Lender hereunder, or should the Administrative Agent or any successor Administrative Agent ever resign as Administrative Agent, or should the Administrative Agent or any successor Administrative Agent ever be removed with cause or without cause by the action of all Lenders (other than the Administrative Agent), then the Lender appointed by the other Lenders (provided that no Event of Default shall have occurred and be continuing, with the consent of the Borrowers, which consent shall not be unreasonably withheld) shall forthwith become the Administrative Agent, and the Borrowers and the Lenders shall execute such documents as any Lender may reasonably request to reflect such change at no cost to the Borrowers. Any resignation or removal of the Administrative Agent or any successor Administrative Agent shall become effective upon the appointment by the Lenders of a successor Administrative Agent; provided, however, if no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the Laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $250,000,000. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties

of the retiring Administrative Agent, and the retiring Administrative Agent

shall be discharged from its duties and obligations under the Loan Documents, provided that if the retiring or removed Administrative Agent is unable to appoint a successor Administrative Agent, the Administrative Agent shall, after the expiration of a 60 day period from the date of notice, be relieved of all obligations as Administrative Agent hereunder. Notwithstanding any Administrative Agent's resignation or removal hereunder, the provisions of this Article shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Agreement.

(c) EXPENSES. Each Lender shall pay its pro rata share, based on its Specified Percentage, of any expenses paid by the Administrative Agent directly and solely in connection with any of the Loan Documents if Administrative Agent does not receive reimbursement therefor from other sources within 60 days after the date incurred. Any amount so paid by the Lenders to the Administrative Agent shall be returned by the Administrative Agent pro rata to each paying Lender to the extent later paid by the Borrowers or any other Person on the Borrowers' behalf to the Administrative Agent.

(d) DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties hereunder by or through officers, directors, employees, attorneys or agents, and shall be entitled to (and shall be protected in relying upon) advice of counsel concerning all matters pertaining to its duties hereunder.

(e) RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent and its officers, directors, employees, attorneys and agents shall be entitled to rely and shall be fully protected in relying on any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telex or teletype message, statement, order, or other document or conversation reasonably believed by it or them in good faith to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinions of counsel selected the Administrative Agent. The Administrative Agent may, in its reasonable judgment, deem and treat the payee of any Note as the owner thereof for all purposes hereof.

(f) LIMITATION OF ADMINISTRATIVE AGENT'S LIABILITY. Neither the Administrative Agent nor any of its officers, directors, employees, attorneys or agents shall be liable for any action taken or omitted to be taken by it or them hereunder in good faith and believed by it or them to be within the discretion or power conferred to it or them by the Loan Documents or be responsible for the consequences of any error of judgment, except for its or their own gross negligence or wilful misconduct. Except as aforesaid, the Administrative Agent shall be under no duty to enforce any rights with respect to any of the Revolving Credit Advances, or any security therefor. The Administrative Agent shall not be compelled to do any act hereunder or to take any action towards the execution or enforcement of the powers hereby created or to prosecute or defend any suit in respect hereof, unless indemnified to its satisfaction against loss, cost, liability and expense. The Administrative Agent shall not be responsible in any manner to any Lender for the effectiveness, enforceability, genuineness, validity or due execution of any of

the Loan Documents, or for any representation, warranty, document, certificate, report or statement made herein or furnished in connection with any Loan Documents, or be under any obligation to any Lender to ascertain or to inquire as to the performance or observation of any of the terms, covenants or conditions of any Loan Documents on the part of the Borrowers. TO THE EXTENT NOT REIMBURSED BY THE BORROWERS, EACH LENDER HEREBY SEVERALLY INDEMNIFIES AND HOLDS HARMLESS THE ADMINISTRATIVE AGENT, PRO RATA ACCORDING TO ITS SPECIFIED PERCENTAGE, FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES AND/OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, ASSERTED AGAINST, OR INCURRED BY THE ADMINISTRATIVE AGENT IN ANY WAY WITH RESPECT TO ANY LOAN DOCUMENTS OR ANY ACTION TAKEN OR OMITTED BY THE ADMINISTRATIVE AGENT UNDER THE LOAN DOCUMENTS (INCLUDING ANY NEGLIGENT ACTION OF THE ADMINISTRATIVE AGENT), EXCEPT TO THE EXTENT THE SAME ARE FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION TO RESULT FROM GROSS NEGLIGENCE OR WILFUL MISCONDUCT BY THE ADMINISTRATIVE AGENT. THE INDEMNITY PROVIDED IN THIS SECTION 10.1(f) SHALL SURVIVE TERMINATION OF THIS AGREEMENT.

(g) LIABILITY AMONG LENDERS. No Lender shall incur any liability (other than the sharing of expenses and other matters specifically set forth herein and in the other Loan Documents) to any other Lender, except for acts or omissions in bad faith.

(h) RIGHTS AS LENDER. With respect to its commitment hereunder, the Advances made by it and the Notes issued to it, the Administrative Agent shall have the same rights as a Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent or any Lender may accept deposits from, act as trustee under indentures of, and generally engage in any kind of business with, the Parent and any of its Affiliates, and any Person who may do business with or own securities of the Parent or any of its Affiliates, all as if the Administrative Agent were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 10.2 LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based upon the financial statements referred to in SECTIONS 4.1(j), 6.1, and 6.2 hereof, and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents. Each Lender also acknowledges that its decision to fund the initial Revolving Credit Advance shall constitute evidence to the Administrative Agent that such Lender has deemed all

of the conditions set forth in SECTION 3.1 to have been satisfied.

Section 10.3 BENEFITS OF ARTICLE. None of the provisions of this Article shall inure to the benefit of any Person other than Lenders and, with respect to SECTION 10.1(b), the Borrowers; consequently, no such other Person shall be entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of the Administrative Agent or any Lender to comply with such provisions.

ARTICLE 11

MISCELLANEOUS

Section 11.1 NOTICES.

(a) All notices and other communications under this Agreement shall be in writing (except in those cases where giving notice by telephone is expressly permitted) and shall be deemed to have been given on the date personally delivered or sent by telecopy (answerback received), or three days after deposit in the mail, designated as certified mail, return receipt requested, postage-prepaid, or one day after being entrusted to a reputable commercial overnight delivery service, or one day after being delivered to the telegraph office or sent out by telex addressed to the party to which such notice is directed at its address determined as provided in this Section. All notices and other communications under this Agreement shall be given to the parties hereto at the following addresses:

(i) If to the Borrowers, at:

c/o Power-One, Inc.
740 Calle Plano
Camarillo, California 93012-8583
Attn: Eddie K. Schnopp

(ii) If to the Administrative Agent, at:

Bank of America, N.A.
555 California Street, 41st Floor
San Francisco, California 94104
Attn: Doug Meckelnburg, Vice President

(iii) If to a Lender, at its address shown below its name on the signature pages hereof, or if applicable, set forth in its Assignment Agreement.

(b) Any party hereto may change the address to which notices shall be

directed by

giving 10 days' written notice of such change to the other parties.

Section 11.2 EXPENSES. The Borrowers shall promptly pay:

(a) all reasonable out-of-pocket expenses of the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents, the transactions contemplated hereunder and thereunder, and the making of Advances hereunder, including without limitation the reasonable fees and disbursements of Special Counsel;

(b) all reasonable out-of-pocket expenses and reasonable attorneys' fees of the Administrative Agent in connection with the administration of the transactions contemplated in this Agreement and the other Loan Documents and the preparation, negotiation, execution and delivery of any waiver, amendment or consent by the Administrative Agent relating to this Agreement or the other Loan Documents; and

(c) all costs, out-of-pocket expenses and reasonable attorneys' fees of the Administrative Agent and each Lender incurred for enforcement, collection, restructuring, refinancing and "work-out", or otherwise incurred in obtaining performance under the Loan Documents, which in each case shall include without limitation fees and expenses of consultants, counsel for the Administrative Agent and any Lender, and administrative fees for the Administrative Agent.

Section 11.3 WAIVERS. The rights and remedies of the Lenders under this Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies which they would otherwise have. No failure or delay by the Administrative Agent or any Lender in exercising any right shall operate as a waiver of such right. The Lenders expressly reserve the right to require strict compliance with the terms of this Agreement in connection with any funding of a request for a Revolving Credit Advance. In the event that any Lender decides to fund a Revolving Credit Advance at a time when the Borrowers are not in strict compliance with the terms of this Agreement, such decision by such Lender shall not be deemed to constitute an undertaking by the Lender to fund any further requests for Revolving Credit Advances or preclude the Lenders from exercising any rights available under the Loan Documents or at law or equity. Any waiver or indulgence granted by the Lenders shall not constitute a modification of this Agreement, except to the extent expressly provided in such waiver or indulgence, or constitute a course of dealing by the Lenders at variance with the terms of the Agreement such as to require further notice by the Lenders of the Lenders' intent to require strict adherence to the terms of the Agreement in the future. Any such actions shall not in any way affect the ability of the Administrative Agent or the Lenders, in their discretion, to exercise any rights available to them under this Agreement or under any other agreement, whether or not the Administrative Agent or any of the Lenders are a party thereto, relating to the Borrowers.

Section 11.4 CALCULATION BY THE LENDERS CONCLUSIVE AND BINDING. Any mathematical

calculation required or expressly permitted to be made by the Administrative Agent or any Lender under this Agreement shall be made in its reasonable judgment and in good faith, and shall when made, absent manifest error, be controlling.

Section 11.5 SET-OFF. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Lender and any subsequent holder of any Note, and any assignee of any Note is hereby authorized by the Borrowers at any time or from time to time, without notice to the Borrowers or any other Person, any such notice being hereby expressly waived, to set-off, appropriate and apply any deposits (general or special (except trust and escrow accounts), time or demand, including without limitation Indebtedness evidenced by certificates of deposit, in each case whether matured or unmatured) and any other Indebtedness at any time held or owing by such Lender or holder to or for the credit or the account of any Borrower, against and on account of the Obligations and other liabilities of such Borrower to such Lender or holder, irrespective of whether or not (a) the Lender or holder shall have made any demand hereunder, or (b) the Lender or holder shall have declared the principal of and interest on the Revolving Credit Advances and other amounts due hereunder to be due and payable as permitted by SECTION 8.2. Any sums obtained by any Lender or by any assignee or subsequent holder of any Note shall be subject to pro rata treatment of all Obligations and other liabilities hereunder.

Section 11.6 ASSIGNMENT.

(a) The Borrowers may not assign or transfer any of its rights or obligations hereunder or under the other Loan Documents without the prior written consent of the Lenders.

(b) No Lender shall be entitled to assign its interest in this Agreement, its Notes or its Advances, except as hereinafter set forth.

(c) Without the consent of the Borrowers, any Lender may at any time sell participations in all or any part of its Advances and Reimbursement Obligations (collectively, "PARTICIPATIONS") to any banks or other financial institutions ("PARTICIPANTS") provided that such Participation shall not confer on any Person (other than the parties hereto) any right to vote on, approve or sign amendments or waivers, or any other independent benefit or any legal or equitable right, remedy or other claim under this Agreement or any other Loan Documents, other than the right to vote on, approve, or sign amendments or waivers or consents with respect to items that would result in (i) any increase in the commitment of any Participant; or (ii)(A) the extension of the date of maturity of, or (B) the

extension of the due date for any payment of principal, interest or fees respecting, or (C) the reduction of the amount of any installment of principal or interest on or the change or reduction of any mandatory reduction required hereunder, or (D) a reduction of the rate of interest on, the Revolving Credit Advances, the Letters of Credit, or the Reimbursement Obligations; or (iii) the release of security for the Obligations, including without limitation any guarantee; or (iv) the reduction of any fees payable hereunder. Notwithstanding the foregoing, the Borrowers agree that the Participants shall be

entitled to the benefits of ARTICLE 9 hereof as though they were Lenders and the Lenders may provide copies of all financial information received from the Borrowers to such Participants.

(d) Each Lender may assign to one or more Eligible Assignees its rights and obligations under this Agreement and the other Loan Documents; PROVIDED, HOWEVER, that (i) each such assignment shall be subject to (A)the written consent of the Administrative Agent and (B) prior to the occurrence and continuance of an Event of Default, the written consent of the Parent, which consent shall not be unreasonably withheld or delayed, (ii) no such assignment shall be in an amount of the Revolving Credit Commitment less than $5,000,000, (iii) the applicable Lender, Administrative Agent and applicable Eligible Assignee shall execute and deliver to the Administrative Agent an Assignment and Acceptance Agreement (an "ASSIGNMENT AGREEMENT") in substantially the form of EXHIBIT D hereto, together with the Revolving Credit Notes subject to such assignment and (iv) the Eligible Assignee executing the Assignment, shall deliver to the Administrative Agent a processing fee of $3,500. Upon such execution, delivery and acceptance from and after the effective date specified in each Assignment, which effective date shall be at least three Business Days after the execution thereof, (A) the Eligible Assignee thereunder shall be party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment, have the rights and obligations of a Lender hereunder and (B) the applicable Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment, relinquish such rights and be released from such obligations under this Agreement.

(e) Notwithstanding anything in clause (d) above to the contrary, any Lender may assign and pledge all or any portion of its Revolving Credit Advances and Revolving Credit Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of F.R.S. Board and any Operating Circular issued by such Federal Reserve Bank; provided, however, that no such assignment under this clause (e) shall release the assignor Lender from its obligations hereunder.

(f) Upon its receipt of an Assignment Agreement executed by a Lender and an Eligible Assignee, and any Revolving Credit Note or Revolving Credit Notes subject to such assignment, the Borrowers shall, within five Business Days after its receipt of such Assignment Agreement, at no expense to the Borrowers, execute and deliver to the Administrative Agent in exchange for the surrendered

Notes new Notes to the order of such Assignee in an amount equal to the portion of the Revolving Credit Advances and Revolving Credit Commitment assigned to it pursuant to such Assignment Agreement and new Revolving Credit Notes to the order of the assignor Lender in an amount equal to the portion of the Revolving Credit Advances and Revolving Credit Commitment retained by it hereunder. Such new Revolving Credit Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Revolving Credit Notes, shall be dated the effective date of such Assignment Agreement and shall otherwise be in substantially the form of EXHIBIT A hereto.

(g) Any Lender may, in connection with any assignment or participation or proposed

assignment or participation pursuant to this SECTION 11.6, disclose to the assignee or Participant or proposed assignee or participant, any information relating to the Borrowers furnished to such Lender by or on behalf of the Borrowers, provided such Person agrees to handle such information in accordance with the standards set forth in SECTION 11.14 hereof.

(h) Except as specifically set forth in this SECTION 11.6, nothing in this Agreement or any other Loan Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any other Loan Documents.

(i) Notwithstanding anything in this SECTION 11.6 to the contrary, no Eligible Assignee or Participant shall be entitled to receive any greater payment under SECTION 2.14, SECTION 2.15 or SECTION 9.3 than such assigning or participating Lender would have been entitled to receive with respect to the interest assigned or participated to such Eligible Assignee or Participant.

Section 11.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

Section 11.8 SEVERABILITY. Any provision of this Agreement which is for any reason prohibited or found or held invalid or unenforceable by any court or governmental agency shall be ineffective to the extent of such prohibition or invalidity or unenforceability without invalidating the remaining provisions hereof in such jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 11.9 INTEREST AND CHARGES. It is not the intention of any parties to this Agreement to make an agreement in violation of the laws of any applicable jurisdiction relating to usury. Regardless of any provision in any Loan Documents, no Lender shall ever be entitled to receive, collect or apply, as interest on the Obligations, any amount in excess of the Maximum Amount. If

any Lender or participant ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial repayment of principal and treated hereunder as such; and if principal is paid in full, any remaining excess shall be paid to the Borrowers. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Maximum Amount, the Borrowers and the Lenders shall, to the maximum extent permitted under Applicable Law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) amortize, prorate, allocate and spread in equal parts, the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations; provided, however, that if the Obligations are paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the

Maximum Amount, the Lenders shall refund to the Borrowers the amount of such excess or credit the amount of such excess against the total principal amount of the Obligations owing, and, in such event, the Lenders shall not be subject to any penalties provided by any laws for contracting for, charging or receiving interest in excess of the Maximum Amount. This Section shall control every other provision of all agreements pertaining to the transactions contemplated by or contained in the Loan Documents.

Section 11.10 HEADINGS. Headings used in this Agreement are for convenience only and shall not be used in connection with the interpretation of any provision hereof.

Section 11.11 AMENDMENT AND WAIVER. The provisions of this Agreement may not be amended, modified or waived except by the written agreement of the Borrowers and the Determining Lenders; provided, however, that no such amendment, modification or waiver shall (a) be made without the consent of all Lenders, if it would (i) release all or substantially all of the security and guaranties for the Obligations (except pursuant to this Agreement), or (ii) revise this SECTION 11.11, or (iii) amend the definitions of Determining Lenders or Revolving Credit Commitment, or (b) increase the Specified Percentage or commitment of any Lender, or extend or postpone the date of maturity of, extend the scheduled due date for any payment of principal or interest on, reduce the amount of any installment of principal or interest on, or reduce the rate of interest on, any Advance, the Reimbursement Obligations or other amount owing under any Loan Documents to any Lender, or extend the scheduled date for payment of any fees hereunder owing to any Lender, without in each case specified in this clause (b) the consent of such Lender; (c) be made without the consent of the Administrative Agent, if it would alter the rights, duties or obligations of the Administrative Agent; or (d) be made without the consent of the Issuing Bank, if it would alter the rights, duties or obligations of the Issuing Bank. Neither this Agreement nor any term hereof may be amended orally, nor may any provision hereof be waived orally but only by an instrument in

writing signed by the Administrative Agent and, in the case of an amendment, by the Borrowers.

Section 11.12 EXCEPTION TO COVENANTS. Neither the Parent nor any of its Subsidiaries shall be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

Section 11.13 NO LIABILITY OF ISSUING BANK. The Borrowers assume all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither the Issuing Bank nor any Lender nor any of their respective officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Issuing Bank against presentation of documents that do not strictly

comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit, except for any payment made upon the Issuing Bank's gross negligence or wilful misconduct; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, EXCEPT that the Borrowers shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to the Borrowers, to the extent of any direct, but not consequential, damages suffered by the Borrowers that a court of competent jurisdiction determines were caused by (i) the Issuing Bank's wilful misconduct or gross negligence or (ii) the Issuing Bank's wilful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 11.14 CONFIDENTIALITY. Each Lender and the Administrative Agent agrees (on behalf of itself and each of its Affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrowers pursuant to this Agreement which is identified by the Borrowers as being confidential at the time the same is delivered to the Lenders or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such information (a) to the extent required by statute, rule, regulation or judicial process,

(b) to counsel for any Lender or the Administrative Agent, (c) to bank examiners, auditors or accountants of any Lender, (d) to the Administrative Agent or any other Lender, (e) in connection with any Litigation to which any one or more of Lenders is a party, (f) to the extent necessary in connection with the enforcement of any Rights under this Agreement or any other Loan Document, provided, further, that, unless specifically prohibited by Applicable Law or court order, each Lender shall, prior to disclosure thereof, notify the Borrowers of any request for disclosure of any such non-public information (i) by any Tribunal or representative thereof (other than any such request in connection with an examination of such Lender's financial condition by such governmental agency) or (ii) pursuant to legal process, or (f) to any Eligible Assignee or Participant (or prospective Eligible Assignee or Participant) so long as such Eligible Assignee or Participant (or prospective Eligible Assignee or Participant) agrees to handle such information in accordance with the provisions of this SECTION 11.14.

Section 11.15 AMENDMENT, RESTATEMENT, EXTENSION, AND RENEWAL. This Agreement is a renewal, extension, amendment and restatement of the Existing Credit Agreement, and is not a novation of the "Obligations" (as defined in the Existing Credit Agreement) thereunder. All terms and provisions of this Agreement supersede in their entirety the Existing Credit Agreement. The Liens against the Capital Stock of PUM, and Melcher pledged pursuant to the Existing Credit Agreement shall remain valid, binding and enforceable Liens against the Borrowers.

Section 11.16 JOINT AND SEVERAL OBLIGATIONS. All obligations and liabilities of each

Borrower hereunder shall be joint and several; provided, however, that Melcher shall be liable only for its borrowings hereunder and the interest, fees and other obligations and liabilities allocable thereto; and provided further that, with respect to each Borrower other than the Parent, in any action or proceeding involving any corporate Law, or any bankruptcy, insolvency, reorganization or other Law affecting the rights of creditors generally (collectively, the "FRAUDULENT TRANSFER LAWS"), if the obligations of such Borrower hereunder would otherwise, in each case after giving effect to all other liabilities of such Borrower, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Borrower in respect of intercompany indebtedness to the Parent, other Affiliates of the Parent or other Obligors to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Borrower hereunder and after giving effect as assets to the value (as determined under the applicable provisions of Fraudulent Transfer Laws) of any agreement providing for an equitable allocation among such Borrower and other Obligors), be held or determined to be void, invalid or unenforceable or subordinated to the claims of any other creditors, on account of the amount of its liability under this Agreement, then,

notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Borrower, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding. Such reduction shall not in any way limit or affect the obligations of the remaining Borrowers hereunder. Each Borrower hereby waives any right by which it might be entitled to require suit on an accrued right of action in respect of any of the Obligations or require suit against any Borrower or any other Obligor or any other Person, whether arising pursuant to Section 34.02 of the Texas Business and Commerce Code, as amended, Section 17.001 of the Texas Civil Practice and Remedies Code, as amended, Rule 31 of the Texas Rules of Civil Procedure, as amended, or otherwise.

Section 11.17 CONVERSION OF CURRENCIES. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the date on which final judgment is given. The obligations of the Borrowers in respect of any such due to any Lender (the "APPLICABLE LENDER") shall, notwithstanding any judgment in a currency (the "JUDGMENT CURRENCY") other than the currency in which such sum is stated to be due hereunder (the "AGREEMENT CURRENCY"), be discharged only to the extent that on the Business Day following receipt by the Applicable Lender of any sum adjudged to be so due in the Judgment Currency, the Applicable Lender may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Lender in the Agreement Currency, the Borrowers agree, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Lender against such loss. The obligations of the Borrowers contained in this SECTION 11.17 shall

survive the termination of this Agreement and the payment of all other amounts owing hereunder.

Section 11.18 NO DUTIES OF CO-AGENT. The Borrower, the Lenders and the Administrative Agent acknowledge that the Co-Agent shall have no duties, responsibilities, or liabilities hereunder in its capacity as a Co-Agent.

Section 11.19 GOVERNING LAW.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND OF THE UNITED STATES OF AMERICA;

PROVIDED, HOWEVER, THAT THE PARTIES HERETO AGREE THAT THE PROVISIONS OF CHAPTER 346 OF THE TEXAS FINANCE CODE, AS AMENDED, SHALL NOT APPLY TO THE ADVANCES, THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. THE LOAN DOCUMENTS ARE PERFORMABLE IN DALLAS, DALLAS COUNTY, TEXAS, AND BORROWERS AND EACH SURETY, GUARANTOR, ENDORSER AND ANY OTHER PARTY EVER LIABLE FOR PAYMENT OF ANY MONEY PAYABLE WITH RESPECT TO THE LOAN DOCUMENTS, JOINTLY AND SEVERALLY WAIVE THE RIGHT TO BE SUED ELSEWHERE. THE BORROWERS, THE ADMINISTRATIVE AGENT AND EACH LENDER EACH AGREES THAT THE STATE AND FEDERAL COURTS OF TEXAS LOCATED IN DALLAS, TEXAS SHALL HAVE EXCLUSIVE JURISDICTION OVER PROCEEDINGS IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND HEREBY SUBMITS WITH RESPECT TO ITSELF AND ITS PROPERTY TO THE EXCLUSIVE JURISDICTION OF ANY SUCH COURT FOR THE PURPOSE OF ANY SUIT, ACTION, PROCEEDING OR JUDGMENT RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT. THE PARTIES HERETO IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS THAT ANY OF THE PARTIES MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN DALLAS, TEXAS. TO THE EXTENT THAT ANY BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, SUCH BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(b) THE BORROWERS HEREBY WAIVE PERSONAL SERVICE OF ANY

LEGAL PROCESS. THE BORROWERS AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWERS AT THE ADDRESS DESIGNATED FOR NOTICE UNDER THIS AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL. NOTHING IN THIS SECTION 11.18 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 11.20 WAIVER OF JURY TRIAL. EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY KNOWINGLY VOLUNTARILY, IRREVOCABLY AND INTENTIONALLY WAIVE, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. THIS PROVISION IS A MATERIAL INDUCEMENT TO EACH LENDER ENTERING INTO THIS AGREEMENT AND MAKING ANY ADVANCES HEREUNDER.

Section 11.21 ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES REGARDING THE SUBJECT MATTER HEREIN AND THEREIN AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Credit Agreement is executed as of the date first set forth above.

BORROWER: POWER-ONE, INC.

By:
Name: Ed K. Schnopp
Title: Vice President

BORROWER: INTERNATIONAL POWER DEVICES, INC.

By:
Name: Ed K. Schnopp
Title:

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BORROWER: MELCHER HOLDING AG

By:
Name: Dr. Hans Gruter
Title:

By:
Name: Marcel V. Galli
Title:

ADMINISTRATIVE AGENT: BANK OF AMERICA, N.A.,

as Administrative Agent

By:
Name:
Title:

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender and Issuing Bank

Specified Percentage:
30.77%

By:
Name:
Title:

555 California Street, 41st Floor
San Francisco, California 94104
Attention: Doug Meckelnburg
Vice President

UNION BANK OF CALIFORNIA, N.A.

Specified Percentage:
30.77%

By:
Name:
Title:

445 South Figueroa Street, 16th Floor
Los Angeles, California 90071-1100
Attn: John Kase

CITY NATIONAL BANK

Specified Percentage:
15.38%

By:
Name:
Title:

400 North Roxbury Drive, 5th Floor
Beverly Hills, California 90210
Attn: Ann Yasuda

CALIFORNIA BANK & TRUST

Specified Percentage:
23.08%

By:
Name:
Title:

550 South Hope Street, 3rd Floor
Los Angeles, California 90017
Attn: Jan Okinshi

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SCHEDULE 1

PART I. OFFSHORE LENDING OFFICES

BANK OF AMERICA, N.A.
901 Main Street, 14th Floor
Dallas, Texas 75202

UNION BANK OF CALIFORNIA, N.A.
445 South Figueroa Street, 16th Floor
Los Angeles, California 90071-1100

CITY NATIONAL BANK
City Loan Center
831 South Douglas, Suite 100
El Segundo, California 90245
Attention: Pam Terry

CALIFORNIA BANK & TRUST
550 South Hope Street, 3rd Floor
Los Angeles, California 90017

PART II. APPROVED OFFSHORE CURRENCY LENDING OFFICES

BANK OF AMERICA, N.A.
901 Main Street, 14th Floor
Dallas, Texas 75202

UNION BANK OF CALIFORNIA, N.A.
445 South Figueroa Street, 10th Floor
Los Angeles, California 90071-1100

CITY NATIONAL BANK
City Loan Center
831 South Douglas, Suite 100

El Segundo, California 90245
Attention: Pam Terry

CALIFORNIA BANK & TRUST
550 South Hope Street, 3rd Floor
Los Angeles, California 90017

PART III. APPROVED OFFSHORE CURRENCY PAYMENT OFFICES

BANK OF AMERICA, N.A.
901 Main Street, 14th Floor
Dallas, Texas 75202

UNION BANK OF CALIFORNIA, N.A.
445 South Figueroa Street, 10th Floor
Los Angeles, California 90071-1100

CALIFORNIA BANK & TRUST
550 South Hope Street, 3rd Floor
Los Angeles, California 90017

CITY NATIONAL BANK

CURRENCY		PAYMENT INSTRUCTIONS
Pound Sterling	Bank/Address:	Barclays Bank PLC/44 Lombard Street, London EC3 P3AH, England, UK
	SWIFT ID:	BARCGB22
	Sort Code:	20-32-53
	For Account:	City National Bank/400 North Roxbury Drive, Beverly Hills, California 90210
	Account No.:	40789038
Danish Kroner	Bank/Address:	Jyske Bank A/S/Vesterbrogate 9, DK-1051, Copenhagen, Denmark
	SWIFT ID:	JYBADKKK
	For Account:	City National Bank/400 North Roxbury Drive, Beverly Hills, California 90210
	Account No.:	7759-090107-8
Swiss Francs	Bank/Address:	Union Bank of Switzerland (UBS)/Paradeplatz 6, 8010 Zurich, Switzerland
	SWIFT ID:	UBSWCHZH80A
	For Account:	City National Bank/400 North Roxbury Drive, Beverly Hills, California 90210
	Account No.:	0230-77836.05C
Canadian Dollars	Bank/Address:	Royal Bank of Canada/200 Bay Street, Toronto, Ontario M4J 2J5, Canada
	SWIFT ID:	ROYCCAT2
	For Account:	City National Bank/400 North Roxbury Drive, Beverly Hills, California 90210
	Account No.:	095913214004
Euro	Bank/Address:	Citibank N.A./Citibank House Floor 336 Strand, London WC2R 1HB, England, U.K.
	SWIFT ID:	CITIGB2L
	For Account:	City National Bank/400 North Roxbury Drive, Beverly Hills, California 90210
	Account No.:	8251436

SCHEDULE 2

EXISTING LIENS

PROPERTY SUBJECT TO LIEN	LIENHOLDER	AMOUNT OF DEBT SECURED	MATURITY DATE

SCHEDULE 4.1(a)

SUBSIDIARIES

Name	State of Incorporation or Organization	Percentage of Ownership	Owner

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SCHEDULE 4.1(g)

TITLE EXCEPTIONS

SCHEDULE 4.1(h)

LITIGATION EXCEPTIONS

SCHEDULE 4.1(t)

PATENT EXCEPTIONS

SCHEDULE 5

EXISTING INVESTMENTS

SCHEDULE 6

EXISTING INDEBTEDNESS

SCHEDULE 7

EXISTING LETTERS OF CREDIT

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Power-One, Inc. on Form S-3 of our report dated February 26, 1999, appearing in the Annual Report on Form 10-K of Power-One, Inc. for the year ended December 31, 1998 and to the reference to us under the headings "Selected Financial Data" and "Experts" in the Prospectus, which is part of this Registration Statement.

DELOITTE & TOUCHE LLP

August 2, 1999