SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-07-01**
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SPECTRIAN CORP /CA/

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SIC: **3663** Radio & tv broadcasting & communications equipment

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended JULY 1, 2001.

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE TRANSITION PERIOD FROM __________ TO __________.

Commission file number: 0-24360

SPECTRIAN CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	77-0023003
(State or other jurisdiction of ncorporation or organization)	(I.R.S. Employer Identification Number)

350 West Java Drive
Sunnyvale, California 94089
(Address of principal executive offices) (Zip Code)

Telephone Number (408) 745-5400
(Registrant's telephone number, including area code)

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

Yes [X] No [ ]

As of July 30, 2001 there were 11,586,600 shares of the Registrant's Common Stock outstanding.

==

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SPECTRIAN CORPORATION

FORM 10-Q

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FOR QUARTER ENDED JULY 1, 2001

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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SPECTRIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

<CAPTION>

	July 1, 2001	March 31, 2001 (1)
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 51,761	$ 36,397
Restricted cash	3,213	6,354
Short-term investments	64,540	73,512
Accounts receivable, less allowance for doubtful accounts of $460 and $460, respectively	14,953	27,587
Inventories	26,779	22,221
Deferred tax asset	3,818	3,818
Prepaid expenses and other current assets	6,033	4,918
Total current assets	171,097	174,807
Property and equipment, net	10,813	11,632
Other assets	1,573	1,584
Total assets	$183,483	$188,023
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 14,373	$ 23,613
Accrued liabilities	14,477	13,958
Income taxes payable	697	750
Deferred gain, current portion	30,600	31,550
Current portion of debt and capital lease obligations	124	--
Total current liabilities	60,271	69,871
Deferred gain, net of current portion	13,100	19,650
Debt and capital lease obligations, net of current portion	45	--
Total liabilities	73,416	89,521
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized; none issued and outstanding, respectively	--	--
Common stock, $0.001 par value, 20,000,000 shares authorized; 12,583,060 and 12,501,026 shares issued, respectively; 11,583,060 and 11,501,026 shares outstanding, respectively	13	13
Additional paid-in capital	168,446	167,524
Treasury stock, 1,000,000 shares of common stock held	(14,789)	(14,789)
Deferred compensation expense	(62)	(69)

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Accumulated other comprehensive loss	(7,994)	(22,856)
Accumulated deficit	(35,547)	(31,321)
Total stockholders' equity	110,067	98,502
Total liabilities and stockholders' equity	$183,483	$188,023

<FN>
(1) Derived from the March 31, 2001 audited balance sheet included in the 2001 Annual Report on Form 10-K of Spectrian Corporation.

See accompanying notes to condensed consolidated financial statements.
</FN>
</TABLE>

<TABLE>

SPECTRIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

<CAPTION>

	Three Months Ended	
	July 1, 2001	July 2, 2000
<S>	<C>	<C>
REVENUES	$ 30,440	$ 42,190
COSTS AND EXPENSES:		
Cost of revenues	29,852	35,268
Research and development	5,932	5,601
Selling, general and administrative	4,708	5,660
Restructuring costs	686	--
Total costs and expenses	41,178	46,529
OPERATING LOSS	(10,738)	(4,339)
INTEREST INCOME	887	597
INTEREST EXPENSE	(8)	(46)
OTHER INCOME, NET	5,154	--
LOSS BEFORE INCOME TAXES	(4,705)	(3,788)
INCOME TAXES	15	12
LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(4,720)	(3,800)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - ADOPTION OF SFAS 133	494	--
NET LOSS	$ (4,226)	$ (3,800)
NET LOSS PER SHARE:		
Basic and diluted loss per share before cumulative effect of change in accounting principle	$ (0.41)	$ (0.35)
Cumulative effect of change in accounting principle	0.04	--
Basic and diluted net loss per share	$ (0.37)	$ (0.35)
SHARES USED IN COMPUTING PER SHARE AMOUNTS:		
Basic and diluted	11,552	10,916

<FN>

See accompanying notes to condensed consolidated financial statements.
</FN>
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<TABLE>

SPECTRIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

<CAPTION>

	Three Months Ended	
	July 1, 2001	July 2, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,226)	$ (3,800)
Adjustments to reconcile net loss to net cash used in operating activities:		
Cumulative effect of change in accounting principle	(494)	--
Changes in fair value of equity options	(1,772)	
Depreciation and amortization	1,342	2,928
Gain on the sale of UltraRF	(7,500)	--
Loss on sale of short-term investments	4,104	
Loss on sale and write-off of property and equipment, net	483	5
Stock option compensation expense	7	139
Decrease in income tax payable	(53)	--
Changes in operating assets and liabilities:		
Accounts receivable	12,634	(3,511)
Inventories	(4,558)	(42)
Prepaid expenses and other assets	(1,104)	(1,762)
Accounts payable	(9,240)	2,900
Accrued liabilities	519	(983)
Net cash used in operating activities	(9,858)	(4,126)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(13,023)	--
Proceeds from sale and maturities of short-term investments	34,947	4,922
Release of restricted cash	3,213	--
Purchase of property and equipment	(837)	(2,245)
Net cash provided by investing activities	24,300	2,677
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt and capital lease obligations	--	(140)
Proceeds from sales of common stock, net	922	1,215
Net cash provided by financing activities	922	1,075
Net increase (decrease) in cash and cash equivalents	15,364	(374)
Cash and cash equivalents, beginning of period	36,397	11,553
Cash and cash equivalents, end of period	$ 51,761	$ 11,179
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 8	$ 46
Cash paid for income taxes	$ 68	$ 12
Acquisition of equipment under capital lease obligations	$ 169	$ --

<FN>

See accompanying notes to condensed consolidated financial statements.
</FN>
</TABLE>

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1. BASIS OF PRESENTATION

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Spectrian Corporation and subsidiaries ("Spectrian" or the "Company") have been prepared in conformity with generally accepted accounting principles. However, certain information or footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the statements include all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the financial information set forth therein. These financial statements should be read in conjunction with the Company's audited consolidated financial statements as set forth on pages F-1 through F-26 of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2001. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending March 31, 2002, or any other future period.

2. SALE OF ULTRARF

On December 29, 2000, the Company completed the sale of substantially all of the assets and liabilities comprising the Company's semiconductor division, UltraRF, pursuant to the Asset Purchase Agreement dated as of November 20, 2000 (the "Asset Purchase Agreement") among Cree, Inc. ("Cree"), Zoltar Acquisition, Inc. ("Zoltar") and the Company for 1,815,402 shares of Cree common stock valued at $64,503,000, based upon the per share price at the date of closing, plus common stock of Cree with a guaranteed realizable value of $30 million, less $1,141,000 owed by the Company to Cree due to a change in the net assets of UltraRF between October 1, 2000 and December 29, 2000. Of the total consideration received, 191,094 shares of Cree common stock were placed in escrow to secure the Company's representations, warranties and covenants under the Asset Purchase Agreement over a 12-month period. In January 2001, the Company sold all the shares held in escrow for approximately $6,309,000 and recognized a loss of approximately $481,000 from the sale of these securities. On June 29, 2001, one-half of the cash proceeds from the sale of escrow shares plus interest earned in the amount of $3,213,000 was released from escrow. The remaining amount of approximately $3,213,000 held in escrow on July 1, 2001 was classified as restricted cash in the financial statements.

As part of the definitive agreement, the Company and Cree entered into a two-year supply agreement under which Spectrian is obligated to purchase from Cree an aggregate of $58 million of semiconductors. In the event Spectrian fails to make these purchases, it is obligated to pay Cree the amount of the shortfall. Accordingly, the Company deferred $58 million of the gain on sale of UltraRF and is recognizing it in periods as the related purchase commitments to Cree are being fulfilled. In addition, Spectrian and Cree entered into a one-year joint development agreement to develop advanced technologies related to laterally diffused metal oxide semiconductors ("LDMOS"), linear high gain LDMOS driver modules, high efficiency LDMOS power modules and SiC MESFET components, under which Spectrian will pay to Cree a development fee of $2.4 million in four quarterly installments of $600,000 beginning in April 2001. The Company also subleased one of the facilities in Sunnyvale, California to Cree for a term of 11 years (with three options to extend the lease an additional five years) with similar terms as the lease agreement between the Company and its landlord.

The Company realized an aggregate gain of $69.7 million from the sale of UltraRF assets, of which $58.0 million was deferred as noted above, with the balance of $11.7 million being recognized as other

income during third quarter of fiscal 2002. During the first quarter fiscal 2001, Spectrian recognized a gain of $7.5 million as other income as the related

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purchase commitment was fulfilled by the Company.

3. ADOPTION OF SFAS 133

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133, and Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133 (referred to hereafter as "SFAS 133"), on April 1, 2001. In accordance with the transition provisions of SFAS 133, the Company recorded an approximate $494,000 gain cumulative effect adjustment in earnings as of April 1, 2001.

Accounting for Derivatives and Hedging Activities

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or (2) an instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument). Since April 1, 2001, the Company has designated all derivative contacts as a fair value hedge and has not entered into derivatives for the purposes of trading. Changes in the fair value of a derivative that is highly effective as - and that is designated and qualifies as - a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in current-period earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value hedges to specific assets on the balance sheet. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; or (3) management determines that designating the derivative as a hedging instrument is no longer appropriate.

Derivative Instruments and Hedging Activities

The Company has an investment in the common stock of Cree (see Note 2 above). The Company's investment exposes it to a risk related the effects of changes in price of Cree common stock. This financial exposure is monitored and managed by the Company. The Company's risk-management focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Company uses cashless collars, which are combinations of option contracts to hedge this risk. The Company generally hedges 60 to 100 percent of investments in Cree common stock. The Company excludes from its assessment of hedge effectiveness the gain or loss associated with the time value of the options.

At July 1, 2001, 885,000 shares of Cree common stock were hedged and these option arrangements will expire from August 2001 to May 2002. Accordingly, the Company should realize an average of $25.34 per share for the hedged shares if the share price of Cree common stock is lower than approximately $25.34 per share when the options expire. If the Cree common stock price exceeds an average of approximately $41.21 per share when the options expire, the Company may sell its hedged shares at $41.21 or settle the options for a cash amount equal to the

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difference between the Cree common stock price and the option price. Until the options expire, the company will be restricted from disposing of the hedged shares unless it also disposes of the associated options.

For the quarter ended July 1, 2001, the Company recognized a net gain of $1.8 million, (included in other income in the statement of operations), which represented the time value of the options.

By using derivative financial instruments to hedge exposures to changes in share prices, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, does not assume repayment risk. The Company minimizes its credit (or repayment) risk in derivative instruments by (1) entering into transactions with high-quality counterparties, (2) limiting the amount of its exposure to each counterparty, and (3) monitoring the financial condition of its counterparties. The Company also maintains a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement.

4. OTHER INCOME, NET

Other income, net included (in thousands):

	Three Months Ended	
	July 1, 2001	July 2, 2000
Gain on sale of UltraRF	$7,500	$ --
Loss on sale of Cree, Inc. common stock and options	(4,118)	--
Gain on Cree, Inc. common stock options	1,772	--
Other income, net	$5,154	$ --

5. BALANCE SHEET COMPONENTS

Balance sheet components are as follows (in thousands):

	July 1, 2001	March 31, 2001
Inventories:		
Raw materials	$10,609	$11,185
Work in progress	2,737	5,699
Finished goods	13,433	5,337
	$26,779	$22,221
Property and equipment:		
Machinery and equipment	$42,704	$47,341
Software	3,839	3,819
Leasehold improvements	2,711	2,673
	49,254	53,833
Less accumulated depreciation and amortization	38,441	42,201
	$10,813	$11,632

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Accrued liabilities:

Employee compensation and benefits	$ 3,035	$ 2,839
Warranty	9,300	9,800
Restructuring	518	--
Other accrued liabilities	1,624	1,319
	$14,477	$13,958

6. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company believes that the adoption of SFAS 141 will not have a significant impact on their financial statements.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles. The Company is currently assessing but has not yet determined the impact of SFAS 142 on their financial position and results of operations. The Company will adopt SFAS 142 in the quarter beginning April 1, 2002.

7. SHORT-TERM INVESTMENTS

The Company considers all liquid investments with an original maturity of three months or less to be cash equivalents. As of July 1, 2001, the cash equivalents consisted of commercial paper and U.S. government securities.

The Company has classified its investments in certain debt securities, equity options and common stock investments in Cree as "available-for-sale," and records such investments at fair market value. Unrealized unhedged gains and losses on debt securities and common stock investments in Cree are reported as a separate component of stockholders' equity. Realized gains and losses are determined using the specific identification method. Interest income is recorded using an effective interest rate, with the associated premium or discount amortized to interest income.

As of July 1, 2001 and March 31, 2001, short-term investments classified as available-for-sale securities were as follows (in thousands):

<TABLE>
<CAPTION>

As of July 1, 2001	Amortized Cost	Unrealized Gain (Loss)	Fair Value
<S>	<C>	<C>	<C>
Government bonds and notes..................................	$ 26,136	$ 125	$ 26,261
Corporate bonds and notes...................................	31,249	191	31,440
Cree, Inc. common stock.....................................	31,456	(8,310)	23,146
Cree, Inc. common stock options	--	2,266	2,266
	88,841	(5,728)	83,113
Less amounts classified as cash equivalents.................	18,573	--	18,573
Short-term investments......................................	$ 70,268	$ (5,728)	$ 64,540

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Contractual maturity dates of short-term investment in bonds and notes:

Less than 1 year......................................	$ 14,607
1 to 5 years..	24,521
	$ 39,128

As of March 31, 2001	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Government bonds and notes................................	$ 23,355	$ 120	$ 23,475
Corporate bonds and notes.................................	41,164	144	41,308
Cree, Inc. common stock...................................	57,713	(33,397)	24,316
Cree, Inc. common stock options	--	10,277	10,277
	122,232	(22,856)	99,376
Less amounts classified as cash equivalents.................	25,864	--	25,864
Short-term investments....................................	$ 96,368	$ (22,856)	$ 73,512

Contractual maturity dates of short-term investment in bonds and notes:

Less than 1 year......................................	$ 8,931
1 to 5 years..	29,988
	$ 38,919

</TABLE>

8. PER SHARE COMPUTATION

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive common shares outstanding during the period using the treasury stock method. Potentially dilutive common shares include the effect of stock options. For the three months ended July 1, 2001 and July 2, 2000, 2,849,491 and 3,215,017 stock options were not included in the calculation of diluted net loss per share as they were considered antidilutive due to the net loss the Company experienced in these fiscal periods.

9. SEGMENT INFORMATION

Geographic Segment Data:

Revenue from unaffiliated customers by geographic region as a percentage of revenues were as follows:

	Three Months Ended	
	July 1, 2001	July 2, 2000
Canada	37%	35%
United States	35%	34%
China	13%	--
South Korea	11%	5%
France	2%	25%
Other countries	2%	1%
Total	100%	100%

The Company's long-lived assets are located in the following countries (in thousands):

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	July 1, 2001	March 31, 2001
United States	$ 6,766	$ 7,966
Thailand	2,630	2,707
South Korea	1,417	959
	$ 10,813	$ 11,632

10. RESTRUCTURING COSTS

During the first quarter of fiscal 2002, the Company decided to transfer its power amplifier repair operations in Sunnyvale, California, to a contract manufacturer located in Thailand. In connection with the decision, the Company recognized in the first quarter of fiscal 2002 an approximately $686,000 restructuring charge for estimated severance costs related to organizational changes and a planned reduction in work force and to write off property and equipment that have no future value to the Company. Approximately 60 employees engaged in the repair operations are anticipated to be terminated as a result of

the restructuring. The Company anticipates that the restructuring will be substantially completed in the second quarter of fiscal 2002. The following table represents the restructuring activity that took place up through July 1, 2001 (in thousands):

<TABLE>
<CAPTION>

<S>	Asset Write-offs (Non Cash) <C>	Reduction in Workforce (Cash) <C>	Other (Cash) <C>	Total <C>
Accrual for restructuring charges	$ 161	$ 485	$ 40	$ 686
Cash payment of severance costs	--	(7)	--	(7)
Write-off of property and equipment	(161)	--	--	(161)
Balance at July 1, 2001	$ --	$ 478	$ 40	$ 518

</TABLE>

The balance of the restructuring accrual is included in accrued liabilities on the condensed consolidated balance sheets.

11. COMPREHENSIVE INCOME

Statement of Financial Accounting Standard No. 130 ("SFAS 130") "Reporting Comprehensive Income" establishes rules for the reporting and display of comprehensive income and its components. The following are the components of comprehensive income (loss) (in thousands):

	Three Months Ended	
	July 1, 2001	July 2, 2000
Net loss	$(4,226)	$(3,800)
Unrealized gain (loss) on marketable securities	14,862	115
Comprehensive income (loss)	$10,636	$(3,685)

The components of accumulated other comprehensive loss are as follows (in thousands):

	July 1, 2001	March 31, 2001

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Unrealized loss on marketable securities	$(7,994)	$(22,856)

12. COMMITMENTS

Purchase Commitments

As described in Note 2, the Company has signed a two-year supply agreement with Cree on December 29, 2000 to purchase $58.0 million of semiconductors. The Company fulfilled its purchase obligation for the first quarter of fiscal 2002 and recognized $7.5 million of the deferred gain. As of July 1, 2001, the Company has an obligation to purchase an additional $43.7 million of semiconductors from Cree under the supply agreement, of which $30.6 million of purchases are required to be made over the next 12 months and $13.1 million of purchases are required to be made starting the second quarter of fiscal 2003.

13. LINE OF CREDIT

The Company has a revolving line of credit of $10.0 million with a bank collateralized by the majority of the Company's assets. The line of credit expires on June 30, 2002. Under the terms of the master agreement governing this credit instrument, as amended, the Company is required to maintain certain minimum working capital, profitability and other specific financial ratios. The master agreement also has certain restrictions on other indebtedness and the payment of dividends. At July 1, 2001, the Company was in default of certain covenants and the bank has granted a waiver of the default for the quarter ended July, 1 2001. The amount available to borrow at July 1, 2001, was $10.0 million. The Company can borrow at either (i) a variable rate equal to the prime rate or (ii) a fixed rate equal to 200 basis points above the LIBOR rate, which at July 1, 2001 was 6.8% and 5.8%, respectively. The Company had no borrowings under the line of credit at July 1, 2001.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including statements regarding Spectrian Corporation's ("the Company") expectations, hopes, intentions or strategies regarding the future. When used herein, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend" and similar expressions are intended to identify forward-looking statements within the meaning of the Securities Act and the Exchange Act. Forward looking statements include, but are not limited to: the statements in the second paragraph of "Overview" regarding the recognition in the future of gains on the sale of UltraRF and the effect of the sale of UltraRF on the Company's semiconductor cost, in the third paragraph regarding the impact on the Company of a loss of a major OEM customer and the future fluctuations of Nortel product orders, in the fourth paragraph regarding international sales as a percentage of future revenues and the impact of currency fluctuations on future revenues in the fifth paragraph regarding the timing of the transfer of power amplifier repair operations, and in the last paragraph regarding average selling prices and gross margins; the statements in the second paragraph under "Results of Operations - Cost of Revenues" regarding the gross margin as a percentage of net revenues; the statements under "Results of Operations - Research and Development" regarding new product development initiatives; the statement under "Results of Operations - Income Taxes" regarding the recoverability and the recording of the net deferred tax asset; the statements in the last paragraph under "Liquidity and Capital Resources" concerning the anticipated spending for capital additions for the next twelve months, the sufficiency of the Company's available resources to meet cash requirements and the factors which will determine the Company's future cash requirements; and the statements in "Factors Affecting Future Operating Results." Results could differ materially based on

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various factors including, but not limited to, those described below, under the heading "Factors Affecting Future Operating Results" and elsewhere in this Quarterly Report on Form 10-Q.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. These forward-looking statements are made in reliance upon the safe harbor provision of The Private Securities Litigation Reform Act of 1995.

Overview

Spectrian Corporation ("Spectrian" or the "Company") designs, manufacturers and markets high-power radio frequency ("RF") amplifiers, for the global wireless communications industry. The Company's power amplifiers support a broad range of transmission standards, including Advanced Mobile Phone Services ("AMPS"), Time Division Multiple Access ("TDMA"), Code Division Multiple Access ("CDMA" and "CDMA2000"), Personal Communications System ("PCS"), Global System for Mobil Communications ("GSM"), Wireless Local Loop ("WLL"), Universal Mobile Telephone Service ("UMTS"), and IMT-2000. Spectrian's power amplifiers are utilized as part of the infrastructure for both wireless voice and data networks. The Company's power amplifiers boost the power of a signal so that it can reach a wireless phone or other device within a designated geography.

On December 29, 2000, the Company completed the sale of substantially all of the assets and external liabilities comprising its semiconductor division, UltraRF, to Cree, Inc. ("Cree") pursuant to the Asset Purchase Agreement dated as of November 20, 2000 (the "Asset Purchase Agreement") among Cree, Zoltar Acquisition, Inc. ("Zoltar") and the Company for 1,815,402 shares of common stock of Cree plus

common stock with a guaranteed realizable value of $30 million, less $1,141,000 owed by the Company to Cree due to a change in the net assets of UltraRF between October 1, 2000 and December 29, 2000. As part of the definitive agreement, the Company and Cree entered into a two-year supply agreement under which Spectrian is obligated to purchase from Cree an aggregate of $58 million of semiconductors. In the event Spectrian fails to make these purchases, it is obligated to purchase excess inventory that it may never utilize or to pay Cree the amount of the shortfall. Accordingly, Spectrian deferred $58 million of the gain on sale of UltraRF and is recognizing it in periods as the related purchase commitments to Cree are being fulfilled. In the quarter ended July 1, 2001, Spectrian fulfilled its purchase obligation under the contract and recognized $7.5 million of the deferred gain. Spectrian and Cree also entered into a one-year joint development agreement to develop advanced technologies related to laterally diffused metal oxide semiconductors ("LDMOS"), linear high gain LDMOS driver modules, high efficiency LDMOS power modules and SiC MESFET components. Following the close of the sale of UltraRF, the Company no longer has revenues related to the sale of UltraRF products to third party customers. Additionally, as a result of the sale, the Company's cost of semiconductors used in the manufacturing of amplifier products have increased because purchases from UltraRF are at fair market value rather than at manufacturing cost as has historically been the case.

For the three months ended July 1, 2001, Nortel Networks Corporation ("Nortel") and Verizon Communications ("Verizon"), accounted for approximately 76% and 10% of net revenues, respectively. For the three months ended July 2, 2000, Nortel and Verizon accounted for approximately 61% and 28% of net revenues, respectively. The Company and Nortel have a supply agreement, renegotiated annually, pursuant to which Nortel commits to purchase a certain volume of its annual power amplifier requirements for specified prices from the Company. This agreement allows Nortel to change the product mix requirements, which can significantly affect the Company's gross margins, and to change requested delivery dates without significant financial consequences to Nortel, which affects the Company's ability to efficiently manage production schedules

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and inventory levels and to accurately forecast product sales. The Company's business, financial condition and results of operations have been materially adversely affected in the past by anticipated orders failing to materialize and by deferrals or cancellations of orders as a result of changes in customer requirements. In the past, product orders from Nortel have fluctuated sharply and the Company does not currently sell any multicarrier products to Nortel, which has adversely affected the Company's revenues and earnings in prior fiscal periods. There can be no assurance that the Company will not experience such fluctuations in the future or that the Company will receive any orders for multicarrier products from Nortel in the future. If the Company is unable to find other customers to generate demand for its new and existing products, the Company's revenues may be materially adversely affected. If the Company were to lose Nortel, Verizon, Samsung or any other major customer, or if orders by Nortel, Verizon, Samsung or any other major customer were to otherwise materially decrease either in unit quantity or in price, the Company's business, financial condition and results of operations would be materially adversely affected.

During the three months ended July 1, 2001 and July 2, 2000, sales outside of the United States were 65% and 66%, respectively. The Company expects that international sales will continue to account for a significant percentage of the Company's net revenues for the foreseeable future. Financial market turmoil, economic downturn, consolidation or merger of customers, and other changes in business conditions in any of the Company's current or future markets, such as Canada, South Korea, China and France, may have a material adverse effect on the Company's sales of its products. Furthermore, because the Company's products are priced in U.S. dollars, currency fluctuations and instability in the financial markets that are served by the Company may have the effect of making the Company's products more expensive than those of other manufacturers whose products are priced in the local currency of the customer and may result in reduced revenues for the Company.

The Company currently services its power amplifier products in Sunnyvale, California. During the quarter ended July 1, 2001, the Company began to transition its power amplifier repair operations to a contract manufacturer located in Thailand. The Company anticipates that the transfer of its power amplifier repair operations will be substantially completed in the quarter ended September 30, 2001. In September 2000, the Company completed the transfer of its power amplifier production from Sunnyvale, California, to the same contract manufacturer on a turnkey basis. The Company utilizes contract manufacturing to decrease the Company's manufacturing overhead and costs of its products, to increase flexibility to respond to fluctuations in product demand and to leverage the strengths of the contract manufacturer's focus on high volume, high quality manufacturing. The cost of transitioning manufacturing activities to the contract manufacturer were higher than the savings from costs of products, which adversely affected the Company's gross margins from January 1999 to November 2000. As a result of its infrastructure, the Company has a high level of fixed costs and is dependent upon substantial revenue to achieve and maintain profitability.

The market for the Company's products is becoming increasingly competitive. The Company is selling its power amplifier products in South Korea, as well as directly to cellular service providers where its competitors are already established as suppliers. In addition, the Company competes with several merchant amplifier manufacturers for business from Nortel. This competition has resulted in, and will continue to result in reduced average selling prices for the Company's products, which accordingly will negatively impact gross margins.

Results of Operations

The following table sets forth for the periods indicated certain statement of operations data of the Company expressed as a percentage of total revenues and gross margin on sales.

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	Three Months Ended	
	July 1, 2001	July 2, 2000
NET REVENUES	100.0%	100.0%
COSTS AND EXPENSES:		
Cost of revenues	98.1	83.6
Research and development	19.5	13.3
Selling, general and administrative	15.4	13.4
Restructuring costs	2.3	--
Total costs and expenses	135.3	110.3
Operating loss	(35.3)	(10.3)
INTEREST INCOME	2.9	1.4
INTEREST EXPENSE	--	(0.1)
OTHER INCOME	16.9	--
LOSS BEFORE INCOME TAXES	(15.5)	(9.0)
INCOME TAXES	--	--
LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(15.5)	(9.0)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - ADOPTION OF SFAS 133	1.6	--
NET LOSS	(13.9)%	(9.0)%
GROSS MARGIN ON SALES	1.9%	16.4%

Net Revenues. The Company's net revenues decreased 28% to $30.4 million for the three months ended July 1, 2001 from $42.2 million for the three months ended July 2, 2000. The decrease in net revenues compared to the three months ended July 2, 2000 is primarily due to lower demand in all product lines as a result of delays and reductions in capital spending by the Company's customers and a decline in the average selling prices of single carrier power amplifier ("SCPA") products. Multicarrier power amplifier ("MCPA") revenues decreased 32% to $5.9 million for the three months ended July 1, 2001 from $8.7 million for the three months ended July 2, 2000. SCPA revenues decreased 14% to $22.2 million for the three months ended July 1, 2001 from $25.8 million for the three months ended July 2, 2000. Broadband revenues decreased 90% to $0.6 million for the three months ended July 1, 2001 from $6.0 million for the three months ended July 2, 2000.

Cost of Revenues. Cost of revenues consists primarily of turnkey amplifier costs for the Company's products, internal amplifier assembly and test costs, radio frequency ("RF") semiconductor fabrication, assembly and test costs, raw materials, manufacturing overhead and warranty costs. The Company's cost of sales decreased by 15% to $29.9 million for the three months ended July 1, 2001 from $35.3 million for the three months ended July 2, 2000. The decrease on a dollar and percentage basis for the three months ended July 1, 2001 were due to lower sales.

Gross margin on sales was 2% for the three months ended July 1, 2001 as compared to 16% for the three months ended July 2, 2000. The decrease in gross margin was due to a higher per unit manufacturing costs for SCPA products, lower production volumes to absorb fixed overhead costs, and a decline in the average selling prices of SCPA products. The Company anticipates that gross margin as a percentage of net revenues will continue to be adversely effected as a result of the sale of the UltraRF division to Cree as the Company is required to purchase the LDMOS RF semiconductor parts at market price rather than recognizing the cost of revenues at the actual cost of production and continued declining average selling prices.

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Research and Development. Research and development ("R&D") expenses include the cost of designing, developing or reducing the manufacturing cost of amplifiers and RF semiconductors. The Company's R&D expenses increased by 6% to $5.9 million in the three months ended July 1, 2001 from $5.7 million in the three months ended July 2, 2000. As a percentage of net revenues, R&D expenses represented 20% of net revenues for the three months ended July 1, 2001 as compared to 13% of revenues for the three months ended July 2, 2000. The increase in R&D expenses on a dollar basis for the three months ended July 1, 2001 reflects new product development initiatives which the Company believes are required to meet current and future market and customer requirements and the cost of the development agreement between the Company and Cree. The increase in R&D expenses as a percentage of net revenues for the three months ended July 1, 2001 was due to higher R&D expense on a dollar basis and lower revenues as compared to the similar period in the prior year.

Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses include compensation and benefits for sales, marketing, senior management and administrative personnel, commissions paid to independent sales representatives, professional fees and other expenses. The Company's SG&A expenses decreased by 17% to $4.7 million in the three months ended July 1, 2001 from $5.6 million in the three months ended July 2, 2000. As a percentage of net revenues, SG&A expenses represented 15% of net revenues for the three months ended July 1, 2001 as compared to 13% of net revenues for the three months ended July 2, 2000. The decrease in SG&A expenses on a dollar basis was primarily due to lower commissions associated with lower sales as compared to the similar period in the prior year and reduced general and administrative spending as a result of the sale of UltraRF in December 2000. The increase in SG&A expenses as a percentage of net revenues for the three months ended July 1, 2001 was due to lower revenues as compared to the similar period in the prior year.

Restructuring Costs. During the first quarter of fiscal 2002, the Company decided to transfer its power amplifier repair operations in Sunnyvale, California, to a contract manufacturer located in Thailand. In connection with the decision, the Company recognized in the first quarter of fiscal 2002 an approximately $686,000 restructuring charge for estimated severance costs related to organizational changes and a planned reduction in work force and to write off property and equipment that have no future value to the Company. Approximately 60 employees engaged in the repair operations are anticipated to be terminated as a result of the restructuring. The Company anticipates that the restructuring will be substantially completed in the second quarter of fiscal 2002.

Interest Income. Interest income for the three months ended July 1, 2001 increased to $0.9 million from $0.6 million for the three months ended July 2, 2000. The increase in interest income resulted from higher interest-bearing investment balances associated with higher average cash and cash equivalent balances.

Interest Expense. Interest expense for the three months ended July 1, 2001 decreased to $8,000 from $46,000 for the three months ended July 2, 2000. The decrease in interest expense was a result of substantially reduced average borrowing levels due to repayments of debt and capital lease obligations made in association with the sale of UltraRF in December 2000.

Other Income. Other income for the three months ended July 1, 2001 increased to $5.2 million from none for the three months ended July 2, 2000. Other income for the three months ended July 1, 2001 includes a $7.5 million gain recognized on sale of UltraRF in December 2000, a $1.8 million gain associated with the increase in value of Cree stock options, partially offset by a $4.1 million realized loss on sale of a portion of Cree common stock investments.

Income Taxes. The Company did not record income tax expense except for minimum state taxes and foreign taxes in the three months ended July 1, 2001 and July 2, 2000. Due to the uncertainties surrounding the realization of the deferred tax assets resulting from the Company's accumulated deficit and net losses in fiscal 2000 and 1999, the Company has provided a valuation allowance against deferred tax assets where the realization is uncertain. The valuation

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allowance reduces the net deferred tax asset to the amount that is estimated may be recovered through carryback from future periods. The Company will continue to evaluate positive and negative evidence on the recoverability of its net deferred tax asset each quarter and will record the net deferred tax asset when it is more likely than not that it will be recovered.

Cumulative Effect of Change in Accounting Principle - Adoption of SFAS133. The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133, and Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133 (referred to hereafter as "SFAS 133"), on April 1, 2001. In the three months ended December 31, 2000 and the three months ended July 1, 2001, the Company entered into various option arrangements known as a cashless collar, to hedge its investment in Cree common stock, which was acquired through the sale of UltraRF. The Company has designated these option arrangements as fair value hedges under SFAS 133. In accordance with the transition provisions of SFAS 133, the Company recorded an approximate $494,000 gain cumulative effect adjustment in earnings as of April 1, 2001.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company believes that the adoption of SFAS 141 will not have a significant impact on their financial statements.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles. The Company is currently assessing but has not yet determined the impact of SFAS 142 on their financial position and results of operations. The Company will adopt SFAS 142 in the quarter beginning April 1, 2002.

Liquidity and Capital Resources

The Company has financed its growth through sales of common stock, private sales of equity securities, capital equipment leases, bank lines of credit and cash flows from operations. Principal sources of liquidity at July 1, 2001 consisted of cash and cash equivalent, restricted cash, short-term debt investments, investment in Cree common stock and options which total $119.5 million and bank borrowing arrangements.

The Company has a revolving line of credit of $10.0 million with a bank collateralized by the majority of the Company's assets. The line of credit expires on June 30, 2002. Under the terms of the master agreement governing this credit instrument, as amended, the Company is required to maintain certain minimum working capital, profitability and other specific financial ratios. The master agreement also has certain restrictions on other indebtedness and the payment of dividends. The Company was in default of certain debt covenants as of July 1, 2001 and the bank has granted a waiver of the default for the quarter ended July 1, 2001. The amount available to borrow at July 1, 2001 was $10.0 million. The Company can borrow at either (i) a variable rate equal to the prime rate or (ii) a fixed rate equal to 200 basis points above the LIBOR rate, which at July 1, 2001 was 6.8% and 5.8%, respectively. The Company had no borrowings under the line of credit at July 1, 2001.

The Company's working capital increased by $5.9 million to $110.8

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million as of July 1, 2001 from $104.9 million as of March 31, 2001. The increase was primarily attributable to a $9.2 million decrease in accounts payable due to lower production volumes associated with lower sales as compared with the three months ended March 31, 2001, a $1.0 million decrease in short-term deferred gain as a result of fulfilling the $7.5 million purchase commitments to Cree in the three months ended July 1, 2001, partially offset by the reclassification of $6.5 million from long-term deferred gain to short-term deferred gain, a $4.6 million increase in net inventory due to increased finished goods caused by lower than expected revenues compared with the Company's revenue outlook, a $1.1 million increase in prepaid expenses and other assets and a $3.3 million increase in cash and short-term investments, which were partially offset by a $12.6 million decrease in accounts receivable as a result of lower sales and improved days-outstanding ratio and a $0.5 million increase in accrued liabilities primarily due to the reserve for restructuring charges. The Company's short-term debt investments were principally invested in investment grade, interest-bearing securities.

Cash used by operations was $9.9 million for the three months ended July 1, 2001 compared to cash used by operations for the three months ended July 2, 2000 of $4.1 million. Cash used by operations for the three months ended July 1, 2001 was principally the result of a $4.2 million net loss, a $0.5 million non-cash cumulative-effect gain related to the adoption of SFAS 133 on April 1, 2001, a $1.8 million non-cash gain associated with changes in fair value of Cree stock options not related to their hedging function, a $7.5 million recognized non-cash gain from the sale of UltraRF, a $9.2 million decrease in accounts payable due to lower production volumes associated with lower sales, a $4.6 million increase in net inventory due to increased finished goods caused by a lower than expected revenue compared with the Company's revenue outlook, a $1.1 million increase in prepaid expenses and other assets, which were partially offset by a $12.6 million decrease in accounts receivable as a result of lower sales and improved days-outstanding ratio, a $4.1 million realized loss on the sale of Cree common stock, a $1.3 million depreciation and amortization expense, a $0.5 million loss on the sale and write-off of property and equipment and a $0.5 million increase in accrued liabilities primarily due to the reserve for restructuring charges.

Cash used by operations for the three months ended July 2, 2000 was principally the result of a $3.8 million net loss, a $3.5 million increase in accounts receivable, which increased as a result of the timing of shipments late in the quarter, a $1.8 million increase in prepaid expenses and other current assets and a $1.0 million reduction in accrued liabilities which were partially offset by a $2.9 million increase in

accounts payable, which increased proportionately with production levels, and depreciation and amortization of $2.9 million.

The Company's investing activities during the three months ended July 1, 2001 provided cash of approximately $24.3 million as compared to providing cash of $2.7 million during the comparable period in the prior year. Cash provided by investing activities during the three months ended July 1, 2001 resulted primarily from $35.0 million proceeds from sale and maturities of short-term investments, which included approximately $22.2 million generated from the sale of 739,000 shares of Cree common stock, and $3.2 million from the release of restricted cash, which represented one-half of the amount held in escrow to secure the Company's representations, warranties and covenants related to the sale of UltraRF to Cree, partially offset by $13.0 million in purchases of short-term investments and $0.8 million in additions to property and equipment. Capital additions for the three months ended July 1, 2001 included manufacturing test and production equipment required to support new products and test equipment to support various research and development projects.

Cash provided by investing activities during the three months ended July 2, 2000 resulted primarily from $4.9 million in proceeds from sale and maturities of short-term investments which were partially offset by $2.2 million in additions to property and equipment. Capital additions for the three months ended July 2, 2000 included manufacturing test and production equipment required to support new products and test equipment to support various research and development projects.

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The Company's financing activities during the three months ended July 1, 2001 provided cash of approximately $0.9 million as compared to providing $1.1 million of cash during the comparable period in the prior year. Cash provided by financing activities during the three months ended July 1, 2001 was the result of $0.9 million proceeds from the issuance of common stock, through the exercise of employee stock options and employee stock purchase plan activity.

Cash provided by financing activities during the three months ended July 2, 2000 was the result of $1.2 million in proceeds from the issuance of common stock, through the exercise of employee stock options, which was partially offset by $0.1 million in repayments of debt and capital lease obligations.

As part of the sale of UltraRF, the Company has committed to purchase $58.0 million of semiconductors over the two-year period ending December 2002. The Company anticipates spending approximately $5.0 million over the next twelve months for capital additions primarily to support manufacturing production and test requirements and development projects. Based on the Company's current working capital position and the available line of credit, the Company believes that sufficient resources will be available to meet the Company's cash requirements for at least the next twelve months. Cash requirements for future periods will depend on the Company's profitability, timing and level of capital expenditures, working capital requirements and rate of growth.

Factors Affecting Future Operating Results

Customer Concentration; Dependence on Nortel and Verizon. The wireless infrastructure equipment market is dominated by a small number of large OEMs and wireless service providers, including Ericsson, Lucent, Motorola, Samsung, Nortel, Verizon and Siemens. The Company's revenues are derived primarily from sales to a limited number of these customers, in particular, Nortel, Verizon and Samsung. Furthermore, a substantial portion of revenues from Nortel in the past has resulted from sales of a limited number of the Company's products. The Company's business, financial condition and results of operations have been materially adversely affected in the past by anticipated orders failing to materialize and by deferrals or cancellations of orders as a result of changes in customer requirements. The Company and Nortel have a supply agreement, renegotiated annually, pursuant to which Nortel commits to purchase a certain volume of its annual power amplifier requirements for specified prices from the Company. This agreement allows Nortel to change the product mix requirements, which can significantly affect the Company's gross margins, and to change requested delivery dates without significant financial consequences to Nortel, which affects the Company's ability to efficiently manage production schedules and inventory levels and to accurately forecast product sales. Any reduction in the level of purchases of the Company's amplifiers by Nortel, Verizon or Samsung, or any material reduction in pricing without significant offsets, would have a material adverse effect on the Company's business, financial condition and results of operations. For example, in the first and second quarters of fiscal 2001 product orders from Nortel fell drastically and the Company does not currently sell any multicarrier amplifier products to Nortel, which has adversely affected the Company's business. There can be no assurance that the Company will receive any product orders for multicarrier amplifier products from Nortel in the future. If the Company's current or new customers do not generate sufficient demand for the Company's new products replacing prior demand from Nortel, the Company's business, financial condition and results of operations could be materially adversely affected. Further, if the Company were to lose Nortel, Verizon or Samsung or any other major customer, the Company's business, financial condition and results of operations would be materially adversely affected. In addition, wireless infrastructure equipment OEMs have come under increasing price pressure from wireless service providers, which in turn has resulted in downward pricing pressure on the Company's products. The Company expects to incur increasing pricing pressures from Nortel, Verizon, Samsung and other major customers in future periods, which could result in declining average sales prices and gross margins for the Company's products.

Fluctuations in Operating Results. The Company's quarterly and annual results have in the past been, and will continue to be, subject to significant fluctuations due to a number of factors, any of which could have a material

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adverse effect on the Company's business, financial condition and results of operations. In particular, the Company's results of operations are likely to vary due to: the timing, cancellation, delay or rescheduling of OEM customer orders and shipments; the timing of announcements or introductions of new products by the Company, its competitors or their respective OEM customers; the acceptance of such products by wireless equipment OEMs and their customers; relative variations in manufacturing efficiencies and costs; competitive factors such as the pricing, availability, and demand for competing amplification products; changes in average sales prices and related gross margins which vary significantly based upon product mix; subcontractor performance; variations in operating expenses; changes in manufacturing capacity and variations in the utilization of this capacity; shortages of key supplies; the long sales cycles associated with the Company's products; the timing and level of product and process development costs; changes in inventory levels; and the relative strength or weakness of international financial markets. Anticipated orders from the Company's OEM customers have in the past failed to materialize and delivery schedules have been deferred or canceled as a result of changes in OEM customer requirements and the Company expects this pattern to continue as customer requirements continue to change and industry standards continue to evolve. Reduced demand for wireless infrastructure equipment in the past has caused significant fluctuations in the Company's product sales. There can be no assurance that the Company will not experience such fluctuations in the future or that the Company will experience in the

future the same annual revenue growth that it did in fiscal 2000 and 2001. The Company establishes its expenditure levels for product development and other operating expenses based on its expected revenues, and expenses are relatively fixed in the short term. As a result, variations in timing of revenues can cause significant variations in quarterly results of operations. There can be no assurance that the Company will be profitable on a quarter-to-quarter basis in the future. The Company believes that period-to-period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Due to all the foregoing factors, it is likely that in some future quarter or quarters the Company's revenues or operating results will not meet the expectations of public stock market analysts or investors. In such event, the market price of the Company's Common Stock would be materially adversely affected.

Declining Average Sales Prices. The Company has experienced, and expects to continue to experience, declining average sales prices for its products, especially in the market for its single carrier power amplifiers. Wireless infrastructure equipment manufacturers have come under increasing price pressure from wireless service providers, which in turn has resulted in downward pricing pressure on the Company's products. In addition, competition has increased the downward pricing pressure on the Company's products. Since wireless infrastructure equipment manufacturers frequently negotiate supply arrangements far in advance of delivery dates, the Company often must commit to price reductions for its products before it is aware of how, or if, cost reductions can be obtained. To offset declining average sales prices, the Company believes that it must achieve manufacturing cost reductions. If the Company is unable to achieve such cost reductions, the Company's gross margins will decline, and such decline will have a material adverse effect on the Company's business, financial condition and results of operations.

Product Quality, Performance and Reliability. The Company expects that its customers will continue to establish demanding specifications for quality, performance and reliability that must be met by the Company's products. Power amplifiers as complex as those offered by the Company often encounter development delays and may contain undetected defects or failures. The Company has from time to time in the past experienced product quality, performance and reliability problems. In addition, a multicarrier power amplifier has a higher probability of malfunction than a single carrier power amplifier because of its greater complexity. There can be no assurance that defects or failures relating to the Company's product quality, performance and reliability will not occur in the future that may have a material adverse effect on the Company's business, financial condition and results of operations.

Internal Amplifier Design and Production Capabilities of OEMs. The Company believes that a majority of the present worldwide production of power

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amplifiers is captive within the manufacturing operations of wireless equipment OEMs, many of which have chosen not to purchase a significant volume of amplifiers from outside suppliers. In addition, these manufacturers could decide to sell amplifiers to other wireless equipment OEMs. If this should occur, the competition for power amplifiers would significantly increase and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company also believes that those OEMs that purchase from third party amplifier vendors are reluctant to switch once committed to a particular merchant vendor. Consequently, the Company has only limited opportunities to increase revenues by replacing internal OEM amplifier production or displacing other merchant amplifier suppliers. Moreover, given the limited opportunities for merchant power amplifier suppliers, any decision by an OEM to employ a second source merchant supplier for a product currently purchased from a merchant supplier may reduce the existing merchant supplier's ability to maintain a given level of product sales to such OEM or, possibly, to retain the OEM as a customer due to price competition from the second source merchant supplier. There can be no assurance that the Company's major OEM customers will continue to rely, or increase their reliance, on the Company as an external source of supply for their power amplifiers, or that other wireless equipment OEMs will become customers of the Company.

If the major wireless infrastructure equipment suppliers do not purchase or continue to purchase their power amplifiers from merchant suppliers, the Company's business, results of operations and financial condition will be materially adversely affected.

Rapid Technological Change; Evolving Industry Standards; Dependence on New Products. The markets in which the Company and its OEM customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. In particular, because the Company's strategy of rapidly bringing to market products customized for numerous and evolving modulation standards requires developing and achieving volume production of a large number of distinct products, the Company's ability to rapidly design and produce individual products for which there is significant OEM customer demand will be a critical determinant of the Company's future success. A softening of demand in the markets served by the Company or a failure of modulation standard in which the Company has invested substantial development resources may have a material adverse effect on the Company's business, financial condition and results of operations. No assurance can be given that the Company's product development efforts will be successful, that its new products will meet customer requirements and be accepted or that its OEM customers' product offerings will achieve customer acceptance. If a significant number of development projects, including the Company's new multicarrier products, do not result in substantial volume production or if technologies or standards supported by the Company's or its customers' products become obsolete or fail to gain widespread commercial acceptance, the Company's business may be materially adversely affected.

Purchase and Supply Agreement with Cree. In connection with the Company's completion of the sale of UltraRF to Cree, the Company entered into a Purchase and Supply Agreement, dated as of December 29, 2000 by and between the Company and Zoltar (subsequently renamed "UltraRF, Inc."). Pursuant to the Purchase and Supply Agreement, the Company committed to purchase and accept delivery from UltraRF, Inc. ("UltraRF") of $58 million of semiconductors over a two-year period starting January 2001. The quarterly commitments to purchase and accept delivery of semiconductor components from UltraRF range from approximately $6.6 million to $9.2 million. The Company's need for UltraRF components during a calendar quarter may be insufficient to satisfy its minimum commitments for such calendar quarter. In such event, the Company would be obligated to purchase excess inventory that it may never utilize or to pay a shortfall surcharge, either of which could have a material adverse effect on the Company's business, financial condition, and cash flows.

Arm's-Length Relationship. The Company relies on UltraRF for the supply of a substantial amount of components used in the manufacture of its products. When the Company operated UltraRF as a separate division, it may have obtained more favorable terms for semiconductor products than through negotiations with

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unaffiliated third parties. With the sale of UltraRF, the Company must now deal with UltraRF on an arm's-length basis. Accordingly, the prices and other terms for UltraRF semiconductor products are less favorable to the Company than prior to the sale of UltraRF to Cree.

Sole or Limited Sources of Products, Materials and Services. The Company currently procures from single sources power amplifier assemblies, certain specialized semiconductors, components and services for its products. The Company purchases these products, components and services on a purchase order basis, does not carry significant inventories of these components and does not have any long-term supply contracts with its sole source vendors. In fiscal 2001, the Company completed the transfer of the production of power amplifiers to a contract manufacturer in Thailand. As a result of this transfer, the Company no longer has significant manufacturing capacity. The Company issues non-cancelable purchase orders to the contract manufacturer 60 days in advance of requested delivery, which is greater than the committed delivery schedule of some of its customers, such as Nortel. In addition, the Company began the process of transferring its power amplifier repair operations to the same contract manufacturer in Thailand in the quarter ended July 1, 2001 and expects to substantially complete this transfer in the

quarter ended September 30, 2001. On December 29, 2000, the Company completed the sale of substantially all of the assets and liabilities comprising the Company's semiconductor division, UltraRF, pursuant to the Asset Purchase Agreement dated as of November 20, 2000 to Cree. As a result, the Company no longer manufactures bipolar and LDMOS RF power semiconductors, which are critical components in the Company's power amplifier products. As part of the definitive agreement, the Company and Cree entered into a two-year supply agreement under which the Company is obligated to purchase from Cree an aggregate of $58 million of semiconductors. Consequently, Cree is the Company's sole source vendor of certain bipolar and LDMOS RF power semiconductors. The Company's reliance on sole sources for certain components and its migration to an outsourced, turnkey manufacturing and repair services strategy entail certain risks including reduced control over the price, timely delivery, reliability and quality of the components and reliance on the financial strength and continued relationship with the contract manufacturer. If the Company were to change any of its sole source vendors or contract manufacturer, the Company would be required to requalify the components with each new vendor or contract manufacturer, respectively. Any inability of the Company to obtain timely deliveries of components, repair services or assembled amplifiers of acceptable quality in required quantities or a significant increase in the prices of components for which the Company does not have alternative sources could materially and adversely affect the Company's business, financial condition and results of operations. The Company has occasionally experienced difficulties in obtaining some components, and no assurance can be given that shortages will not occur in the future.

Risks of International Sales. The Company operates in an international market and expects that international sales will continue to account for a significant percentage of the Company's total revenues for the foreseeable future. These sales involve a number of inherent risks, including imposition of government controls, currency exchange fluctuations, potential insolvency of international distributors, representatives and customers, reduced protection of intellectual property rights in some countries, the impact of recessionary environments in economies outside the United States, political instability and generally longer receivables collection periods, as well as tariffs and other trade barriers. In addition, because substantially all of the Company's foreign sales are denominated in U.S. dollars, increases in the value of the dollar relative to the local currency would increase the price of the Company's products in foreign markets and make the Company's products relatively more expensive and less price competitive than competitors' products that are priced in local currencies. There can be no assurance that these factors will not have a material adverse effect on the Company's future international sales and, consequently, on the Company's business, financial condition and results of operations.

The Company anticipates that turmoil in financial markets and the deterioration of the underlying economic conditions in certain countries where the Company has significant sales may have an impact on its sales to customers

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located in or whose projects are based in those countries due to the impact of currency fluctuations on the relative price of the Company's products and restrictions on government spending imposed by the International Monetary Fund (the "IMF") on those countries receiving the IMF's assistance. In addition, customers in those countries may face reduced access to working capital to fund component purchases, such as the Company's products, due to higher interest rates, reduced funding of wireless infrastructure by domestic governments, reduced bank lending due to contractions in the money supply or the deterioration in the customer's or its bank's financial condition or the inability to access equity financing. A substantial majority of the Company's products are sold to OEMs who incorporate the Company's products into systems sold and installed to end-user customers. These OEMs are not required by contract and do not typically provide the Company with information regarding the location and identity of their end-user customers, and, therefore, the Company is not able to determine what portion of its product sales have been or future orders will be incorporated into OEM sales to end-users in countries experiencing financial market turmoil and/or deterioration of economic conditions. Furthermore, a large portion of the Company's existing customers and potential new customers are servicing new markets in developing countries that the Company's customers expect will deploy wireless communication networks as an

alternative to the construction of a wireline infrastructure. If such countries decline to construct wireless communication systems, or construction of such systems is delayed for any reason, including business and economic conditions and changes in economic stability due to factors such as increased inflation and political turmoil, such delays could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance upon Growth of Wireless Services. Sales of power amplifiers to wireless infrastructure equipment suppliers and network operators have in the past accounted, and are expected in the future to account, for substantially all of the Company's product sales. Demand for wireless infrastructure equipment is driven by demand for wireless service. Although demand for power amplifiers has grown in recent years, if demand for wireless services fails to increase or increases more slowly than the Company or its customers currently anticipate, the Company's business, financial condition and results of operations would be materially and adversely affected.

Market for the Company's Products Is Highly Competitive. The wireless communications equipment industry is extremely competitive and is characterized by rapid technological change, new product development and product obsolescence, evolving industry standards and significant price erosion over the life of a product. The ability of the Company to compete successfully and sustain profitability depends in part upon the rates at which wireless equipment OEMs incorporate the Company's products into their systems and the Company captures market share from other merchant suppliers.

The Company's major OEM customers continuously evaluate whether to manufacture their own amplification products or purchase them from outside sources. There can be no assurance that these OEM customers will incorporate the Company's products into their systems or that in general they will continue to rely, or expand their reliance, on external sources of supply for their power amplifiers. These customers and other large manufacturers of wireless communications equipment could also elect to enter the merchant market and compete directly with the Company, and at least one OEM, NEC, has already done so. Such increased competition could materially adversely affect the Company's business, financial condition and results of operations.

The Company's principal competitors in the market for wireless amplification products provided by merchant suppliers currently include AML Communications, Amplidyne, Fujitsu, Mitsubishi, Paradigm Communications, Inc. and Powerwave Technologies Inc.. No assurance can be given that the Company's competitors will not develop new technologies or enhancements to existing products or introduce new products that will offer superior price or performance features compared to the Company's products.

Uncertain Protection of Intellectual Property. The Company's ability to compete successfully and achieve future revenue growth will depend, in part, on its ability to protect its proprietary technology and operate without infringing

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the rights of others. The Company has a policy of seeking patents on inventions resulting from its ongoing research and development activities. There can be no assurance that the Company's pending patent applications will be allowed or that the issued or pending patents will not be challenged or circumvented by competitors. Notwithstanding the Company's active pursuit of patent protection, the Company believes that the success of its business depends more on the collective value of its patents, specifications, computer aided design and modeling tools, technical processes and employee expertise. In addition, the Company assigned 20 of its United States patents and 4 of its foreign patents to Cree in connection with the sale of UltraRF. The Company has been granted by Cree a non-exclusive, royalty-free license to each of these patents, however, there can be no assurance that Cree will adequately protect this proprietary information and any such failure could adversely affect the Company's business, financial condition and results of operations. The Company generally enters into confidentiality and nondisclosure agreements with its employees, suppliers, OEM customers, and potential customers and limits access to and distribution of its proprietary technology. However, there can be no assurance that such

measures will provide adequate protection for the Company's trade secrets or other proprietary information, or that the Company's trade secrets or proprietary technology will not otherwise become known or be independently developed by competitors. The failure of the Company to protect its proprietary technology could have a material adverse effect on its business, financial condition and results of operations.

Risk of Third Party Claims of Infringement. The communications equipment industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, which have resulted in significant and often protracted and expensive litigation. Although there is currently no pending intellectual property litigation against the Company, the Company or its suppliers may from time to time be notified of claims that the Company may be infringing patents or other intellectual property rights owned by third parties. If it is necessary or desirable, the Company may seek licenses under such patents or other intellectual property rights. However, there can be no assurance that licenses will be offered or that the terms of any offered licenses will be acceptable to the Company. The failure to obtain a license from a third party for technology used by the Company or otherwise secure rights to use such technology could cause the Company to incur substantial liabilities, to suspend the manufacture of products or expend significant resources to develop noninfringing technology. There can be no assurance that the Company would be successful in such development or that such licenses would be available on reasonable terms, if at all. In the event that any third party makes a successful claim against the Company or its customers and either a license is not made available to the Company on commercially reasonable terms or a "design around" is not practicable, the Company's business, financial condition and results of operations would be materially adversely affected.

Furthermore, the Company may initiate claims or litigation against third parties for infringement of the Company's proprietary rights or to establish the validity of the Company's proprietary rights. Litigation by or against the Company could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel, whether or not such litigation results in a favorable determination for the Company. In the event of an adverse result in any such litigation, the Company could be required to pay substantial damages, indemnify its customers, cease the manufacture, use and sale of infringing products, expend significant resources to develop noninfringing technology, discontinue the use of certain processes or obtain licenses to the infringing technology.

Government Regulation of Communications Industry. Radio frequency transmissions and emissions, and certain equipment used in connection therewith are regulated in the United States, Canada and throughout the rest of the world. Regulatory approvals generally must be obtained by the Company in connection with the manufacture and sale of its products, and by wireless service providers to operate the Company's products. The United States Federal Communications Commission (the "FCC") and regulatory authorities abroad constantly review RF emission issues and promulgate standards based on such reviews. If more stringent RF emission regulations are adopted, the Company and its OEM customers may be required to alter the manner in which radio signals are transmitted or

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otherwise alter the equipment transmitting such signals, which could materially adversely affect the Company's products and markets. The enactment by federal, state, local or international governments of new laws or regulations or a change in the interpretation of existing regulations could also materially adversely affect the market for the Company's products. For example, recently enacted laws and regulations which prohibit the use of hand held cellular telephones while operating a motor vehicle may have a material adverse affect on the market for the Company's products. Although deregulation of international communications industries along with radio frequency spectrum allocations made by the FCC have increased the potential demand for the Company's products by providing users of those products with opportunities to establish new wireless personal communications services, there can be no assurance that the trend toward deregulation and current regulatory developments favorable to the promotion of new and expanded personal communications services will continue or that other future regulatory changes will have a positive impact on the Company. The increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide

to adopt new standards for such products, generally following extensive investigation of and deliberation over competing technologies. The delays inherent in this governmental approval process have in the past caused, and may in the future cause, the cancellation, postponement or rescheduling of the installation of communications systems by the Company's OEM customers. These delays have had in the past, and in the future may have, a material adverse effect on the sale of products by the Company to such OEM customers.

Environmental Regulations. The Company is subject to a variety of local, state and federal governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture the Company's products. The Company believes that it is currently in compliance in all material respects with such regulations and that it has obtained all necessary environmental permits to conduct its business. Nevertheless, the failure to comply with current or future regulations could result in the imposition of substantial fines on the Company, suspension of production, alteration of its manufacturing processes or cessation of operations. Compliance with such regulations could require the Company to acquire expensive remediation equipment or to incur substantial expenses. Any failure by the Company to control the use, disposal, removal or storage of, or to adequately restrict the discharge of, or assist in the cleanup of, hazardous or toxic substances, could subject the Company to significant liabilities, including joint and several liabilities under certain statutes. The imposition of such liabilities could materially adversely affect the Company's business, financial condition and results of operations. In addition, the Company is liable for any potential claim, loss or expense incurred by Cree as a result of any inaccuracy or breach of the environmental representations and warranties made by the Company in connection with the sale of UltraRF. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Future Operating Results - Escrow Funds."

Management of Growth; Dependence on Key Personnel. The Company's business and growth has placed, and is expected to continue to place, a significant strain on the Company's personnel, management and other resources. The Company's ability to manage any future growth effectively will require it to attract, motivate, manage and retain new employees successfully, especially in the highly competitive northern California job market, to integrate new employees into its overall operations and to retain the continued service of its key technical, marketing and management personnel, and to continue to improve its operational, financial and management information systems. Although the Company has employment contracts with several of its executive officers, these agreements do not obligate such individuals to remain in the employment of the Company. The Company does not maintain key person life insurance on any of its key technical personnel. The competition for such personnel is intense. The Company has experienced loss of key employees in the past and could in the future. Such losses could have a material adverse effect on the Company.

The Company's ability to manage its growth will require it to continue to invest in its operational, financial and management information systems, procedures and controls. The Company can give no assurance that it will be able

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to manage its growth effectively. Failure to manage growth effectively would have a material adverse effect on the Company's business, financial condition and results of operations. The Company may, from time to time, pursue the acquisition of other companies, technology, assets or product lines that complement or expand its existing business. The Company may also, from time to time, pursue divestitures of existing operations, technology or assets. Acquisitions and divestitures involve a number of risks that could adversely affect the Company's operating results. These risks include the diversion of management's attention from day-to-day business, the fluctuation of operating results due to the timing of charges for costs associated with acquisitions or divestitures, the difficulty of combining and assimilating the operations and personnel of the acquired companies, the difficulty of separating a divested operation from the remaining operations, charges to the Company's earnings as a result of the purchase of intangible assets, and the potential loss of key employees as a result of an acquisition or divestiture. Should any acquisition take place, we can give no assurance that this acquisition will not materially and adversely affect the Company or that any such acquisition will enhance the Company's business.

Risk of Business Interruption. The Company's operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure and other events beyond the Company's control. The

Company does not have a detailed disaster recovery plan and its facilities in the State of California are currently subject to electrical blackouts as a consequence of a shortage of available electrical power. In the event these blackouts continue or increase in severity, they could disrupt the operations of the Company's facilities in California and increase the Company's operating costs. In addition, the Company does not carry sufficient business interruption insurance to compensate it for losses that may occur and any losses or damages incurred could have a material adverse effect on the Company's business.

Volatility of Stock Price. The market price of the shares of Common Stock has been and is likely to continue to be highly volatile, and is affected significantly by factors such as fluctuations in the Company's quarterly and annual operating results, customer concentration, reliance on single source vendors, the timing difference between Nortel's requested delivery dates and its vendor purchase commitments to support the customer's delivery requirements, reliance on international markets, the absence of the economies of scale achieved by some of its competitors, announcements of technological innovations, new customer contracts or new products by the Company or its competitors, announcements by the Company's customers regarding their business or prospects, changes in analysts' expectations, estimates and recommendations, news reports regarding the Company, its competitors and its markets, governmental regulatory action, developments with respect to patents or proprietary rights, announcements of significant acquisitions or strategic partnerships by the Company or its competitors, announcements of significant divestitures of existing businesses or product lines, the market price of the shares of the common stock of Cree, concentration of stock ownership by a few entities resulting in a low float of the Company's common stock in the public market, general market conditions and other factors. In addition, the stock market in general, and the market prices for power amplifier manufacturers in particular, have experienced extreme volatility that is often unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the price of the Company's common stock, regardless of actual operating performance. The market price of the Company's Common Stock has fluctuated significantly in the past.

Volatility of Cree's Common Stock Price. Pursuant to the Asset Purchase Agreement, the Company received as partial consideration for the sale of UltraRF, 1,815,402 shares of common stock of Cree. In January 2001, the Company sold 191,094 shares, which were held in escrow, for approximately $6,309,000 and realized a loss of approximately $481,000 from the sale of these securities. In the first quarter of fiscal 2002, the Company sold 739,000 shares of Cree common stock for approximately $22.2 million and recognized a loss of approximately $4.1 million. Between January to May 2001, the Company entered into various option arrangements, known as a cashless collar, expiring from August 2001 to May 2002, to hedge the remaining 885,000 shares of Cree common stock on hand. As a result, the Company is able to realize an average of $25.34 per share ("the

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floor price") for the 885,000 hedged shares if the share price of Cree is lower than the floor price when the options expire. If the Cree stock price exceeds an average of $41.21 ("the ceiling price") when the options expire, the Company may sell its hedged shares at the ceiling price or settle the options for a cash amount equal to the difference between the Cree stock price and the ceiling price. Until the options expire, the Company will be restricted from disposing of the hedged shares. The Company faces a number of risks due to the size of its ownership in Cree including the risk that its financial statements and results of operations reflect the Company's ownership stake in Cree, which impacts the Company's stock price. At July 1, 2001, the unrealized loss on the Company's investments in Cree common stock was approximately $8.3 million. The market price of the shares of Cree's common stock has been and is likely to continue to be highly volatile. Although the 885,000 shares of Cree common stock on hand have been hedged, the Company's investment in Cree common stock is subject to price fluctuation between the floor and ceiling prices of the option arrangements. Such volatility in the market price of Cree's common stock and the resulting impact on investors and analysts' perceptions of the change of the Company's valuation due to the size of its holdings in Cree common stock may adversely affect the market price of the Company's common stock.

Escrow Funds. Of the total consideration paid under the Asset Purchase Agreement, 191,094 shares of Cree common stock, valued at approximately $6.8 million on December 29, 2000, was held in escrow to secure the Company's representations, warranties and covenants under the Asset Purchase Agreement over a 12-month period, ending in December 2001. On June 29, 2001, $3.2 million representing one-half of the proceeds from the sale of escrow shares plus interest earned was released from the escrow account. If any claims for indemnification are made against the Company anytime prior to December 29, 2001, whether meritorious or not, the Company may be delayed or precluded from realizing the remaining $3.2 million proceeds placed in escrow. In addition, the funds placed in escrow do not cover any potential claims, losses or expenses incurred by Cree as a direct or indirect result of any inaccuracy or breach of the intellectual property, taxes or environmental representations and warranties made by the Company in connection with the sale of UltraRF. The Company's liability with respect to any such potential claim, loss or expense incurred by Cree is unlimited and the filing of any such claim could materially adversely affect the Company's business, results of operations and financial condition. As of July 1, 2001, no claims for indemnification had been filed against the Company.

Shareholder Rights Plan; Issuance of Preferred Stock. The Board of Directors of the Company adopted a Shareholder Rights Plan in October 1996 (the "Original Agreement"). On August 9, 2000, pursuant to section 27 of the Original Agreement, the Company's Board of Directors agreed to restate the dividend that it had declared under the Original Agreement in a Second Amended and Restated Preferred Shares Rights Agreement dated August 14, 2000 (the "Prior Agreement"). On January 18, 2001, pursuant to section 27 of the Prior Agreement, the Company's Board of Directors agreed to amend the triggering event threshold applicable to Kopp Investment Advisors, Inc. and State of Wisconsin Investment Board to thirty percent (30%) and twenty percent (20%), respectively. Under the Prior Agreement, each right (a "Right," and collectively the "Rights") entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred at an exercise price of $126.00 (the "Purchase Price"), subject to adjustment. The Rights become exercisable upon the occurrence of certain events, including the announcement of a tender offer or exchange offer for the Company's Common Stock or the acquisition of a specified percentage of the Company's Common Stock by a third party. The exercise of the Rights could have the effect of delaying, deferring or preventing a change in control of the Company, including, without limitation, discouraging a proxy contest or making more difficult the acquisition of a substantial block of the Company's Common Stock. These provisions could also limit the price that investors might be willing to pay in the future for shares of the Company's Common Stock. The Board of Directors has the authority to issue up to 5,000,000 shares of undesignated Preferred Stock and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued shares of undesignated Preferred Stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by the Company's stockholders. For example, in connection with the Company's Shareholder Rights Plan, the Board of Directors designated

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20,000 shares of Preferred Stock as Series A Participating Preferred Stock although none of such shares have been issued. The Preferred Stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of Common Stock. The issuance of Preferred Stock under certain circumstances could have the effect of delaying, deferring or preventing a change in control of the Company.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company develops products in the United States and markets its products in North America, South America, Europe and the Asia-Pacific region. Thus, the financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. As all sales are currently made in U.S. dollars, a strengthening of the dollar could make the Company's products less competitive in foreign markets.

The Company's exposure to market rate risk for changes in interest rates relate primarily to its investment portfolio. The Company does not hold derivative financial instruments in its investment portfolio except for the option arrangements to hedge 885,000 shares of the Cree common stock on hand. The Company places its investments with high quality institutions and limits the amount of credit exposure to any one issuer. The Company is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default, market and reinvestment risk. The Company classifies its short-term investments as "fixed-rate" if the rate of return on such instruments remains fixed over their term. These "fixed-rate" investments include fixed-rate U.S. government securities and corporate obligations with contractual maturity dates ranging from less than one year up to five years. The table below presents the amounts and related weighted interest rates of the Company's short-term investments at July 1, 2001 and March 31, 2001 (dollars in thousands).

	July 1, 2001	March 31, 2001
Average fixed interest rate	5.1%	5.5%
Amortized cost	$38,812	$38,655
Fair value	$39,128	$38,919
Contractual maturity dates:		
Less than 1 year	$14,607	$ 8,931
1 to 5 years	24,521	29,988
	$39,128	$38,919

Pursuant to the Asset Purchase Agreement, the Company received as partial consideration for the sale of UltraRF, 1,815,402 shares of common stock of Cree. In January 2001, the Company sold 191,094 shares, which were held in escrow, for approximately $6,309,000 and realized a loss of approximately $481,000 from the sale of these securities. In the first quarter of fiscal 2002, the Company sold 739,000 shares of Cree common stock for approximately $22.2 million and realized a loss of approximately $4.1 million. Between January to May 2001, the Company entered into various option arrangements, known as a cashless collar, expiring from August 2001 to May 2002, to hedge the remaining 885,000 shares of Cree common stock on hand. As a result, the Company is able to realize an average of $25.34 per share for the 885,000 hedged shares if the share price of Cree is lower than $25.34 when the options expire. If the Cree stock price exceeds an average of $41.21 when the options expire, the Company may sell its hedged shares at $41.21 or settle the options for a cash amount equal to the difference between the Cree stock price and the option price. Until the options expire, the Company will be restricted from disposing of the hedged shares unless it also disposes of the associated options. Following the adoption of SFAS 133 on April 1, 2001, the Cree common stock options were valued at approximately $2.3 million and included in the Company's short term investments at July 1, 2001. The value of these options will fluctuate with the share price of Cree. A fall in the fair value of Cree common stock below approximately $25.34 at the expiration of the option arrangements would result in an approximate $3.0 million loss compared to the fair value of Cree related

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investments at July 1, 2001.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Description
10.40.1	Form of Change in Control Severance Agreement between the Registrant and Joseph M. Madden, Harry W. Oh, and David S. Piazza.
10.40.2	Change in Control Severance Agreement between the Registrant and Thomas H. Waechter.
10.40.3	Change in Control Severance Agreement between the Registrant and Michael D. Angel.
10.53	Loan Modification Agreement between the Company and Silicon Valley Bank dated August 2, 2001.

(b) Reports on Form 8-K. The Company did not file any Reports on Form 8-K during the quarter ended July 1, 2001.

SIGNATURES

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

SPECTRIAN CORPORATION

(Registrant)

Dated: August 3, 2001 By: /s/ MICHAEL D. ANGEL

Michael D. Angel
Executive Vice President,
Finance and Administration,
Chief Financial Officer and Secretary
(Authorized Officer and Principal
Financial and Accounting Officer)

INDEX TO EXHIBITS

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Exhibit 10.40.1

SPECTRIAN COMPANY

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement (the "Agreement") is made and entered into effective as of __________ (the "Effective Date"), by and between __________ (the "Employee") and Spectrian Company, a Delaware Corporation (the "Company"). Certain capitalized terms used in this Agreement are defined in Section 1 below.

R E C I T A L S

A. It is expected that the Company from time to time will consider the possibility of a Change of Control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Employee and can cause the Employee to consider alternative employment opportunities.

B. The Board believes that it is in the best interests of the Company and its shareholders to provide the Employee with an incentive to continue employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employee with certain severance benefits upon the Employee's termination of employment following a Change of Control.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of Employee by the Company, the parties agree as follows:

1. Definition of Terms.

The following terms referred to in this Agreement shall have the following meanings:

(a) Cause.

"Cause" shall mean (i) any act of personal dishonesty taken by the Employee in connection with Employee's responsibilities as an employee which is intended to result in substantial personal enrichment of the Employee, (ii) Employee's conviction of a felony which the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business, (iii) a willful act by the Employee which constitutes misconduct and is injurious to the Company, and (iv) continued willful violations by the Employee of the Employee's

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obligations to the Company after there has been delivered to the Employee a written demand for performance from the Company which describes the basis for the Company's belief that the Employee has not substantially performed Employee's duties.

(b) Change of Control.

"Change of Control" shall mean the occurrence of any of the following events:

(i) the approval by shareholders of the Company of a merger or consolidation of the Company with any other Company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(ii) any approval by the shareholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(iv) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of this Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors whose election or nomination was not in connection with any transaction described in subsections (i), (ii) or (iii) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(c) Involuntary Termination.

"Involuntary Termination" shall mean (i) without the Employee's express written consent, a significant reduction of the Employee's responsibilities relative to the Employee's responsibilities in effect immediately prior to such reduction, or the removal of the Employee from such responsibilities, unless the Employee is provided with comparable responsibilities; however, this shall not include changes with regard to the management reporting structure or job title (ii) a reduction by the Company of the Employee's base salary as in effect immediately prior to such reduction; (iii) a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits

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package is significantly reduced; (iv) without the Employee's express written consent, the relocation of the Employee to a facility or a location more than thirty-five (35) miles from his current location; (v) any purported termination of the Employee by the Company which is not effected for Cause or for which the grounds relied upon are not valid; or (vi) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in the "Successors" clause below.

2. Term of Agreement.

This Agreement shall terminate upon the date that all obligations of the parties hereto under this Agreement have been satisfied.

3. At-Will Employment.

The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

4. Change of Control and Severance Benefits.

(a) Termination Following A Change of Control.

(i) Severance and Benefits. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then:

(1) the Employee shall be entitled to receive a sum equal to twelve (12) months of Employee's annualized base salary (as in effect immediately prior to the Change of Control (less applicable tax withholdings). Such severance shall be paid bi-weekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the severance in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

(2) the Employee shall be entitled to receive a sum equal to Employee's annual target bonus in effect immediately prior to the Change of Control (less applicable tax withholdings). Such amount shall be paid biweekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the amount in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

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(3) for a period of twelve (12) months following the Involuntary Termination, the Company shall continue to make available to the Employee and Employee's spouse and dependents, at the same cost to the Employee as was in effect prior to the Change of Control, all group health, life and other similar insurance plans in which Employee or Employee's dependents participate on the date of the Employee's termination, including the Executive Benefits identified in the Employee's offer letter.

(ii) Option Acceleration. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then the vesting and exercisability of each option granted to the Employee by the Company (the "Options") shall be automatically

accelerated in full and the Employee will have 90 days to exercise such options pursuant to the terms of the applicable stock option agreements.

(b) Other Termination. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination after a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, but may be eligible for those benefits (if any) as may then be established under the Company's then existing severance and benefits plans and policies at the time of such termination.

5. Accrued Wages and Vacation; Expenses.

Without regard to the reason for, or the timing of, Employee's termination of employment: (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the date of termination; (ii) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the date of termination; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the date of termination. These payments shall be made promptly upon termination and within the period of time mandated by law.

6. Successors.

Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets

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which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

Employee's Successors. Without the written consent of the Company, Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of Employee hereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notices.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Section. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his rights hereunder.

8. Arbitration.

Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in Palo Alto, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules") provided, however, that the arbitrator shall allow the discovery authorized by California Code of Civil Procedure section 1280, et seq., or any other discovery required by California law in arbitration proceedings. Also, to the extent that any of the Rules or anything in this Agreement conflicts with any arbitration procedures required by California law, the arbitration procedures required by California law shall govern. The

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arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. Employee hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

Employee understands that nothing in this Section modifies Employee's at-will employment status. Either Employee or the Company can terminate the employment relationship at any time, with or without cause.

EMPLOYEE AND COMPANY HAVE READ AND UNDERSTAND THIS SECTION, WHICH DISCUSSES ARBITRATION. EMPLOYEE AND COMPANY UNDERSTAND THAT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF MUST BE SUBMITTED TO BINDING ARBITRATION TO THE EXTENT PERMITTED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JUDGE OR JURY TRIAL (CIVIL ACTION) AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF

THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION.

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

9. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any

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other source.

(b) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Integration. This Agreement and the stock option agreements representing the Options represent the entire agreement and understanding between the parties as to the subject matter herein and supersede all prior or contemporaneous agreements, whether written or oral.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Employment Taxes. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

SPECTRIAN COMPANY

By: ________________________________

____
Employee Signature

Its: ________________________________

____
Date

____
Date

Exhibit A

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GENERAL RELEASE OF ALL CLAIMS

(to Change of Control Severance Agreement)

On behalf of myself, my heirs, executors, administrators and assigns, I hereby make the following agreements and acknowledgements in exchange for the severance, benefits and option acceleration to be received by me under the Spectrian Company Change of Control Severance Agreement (the "CIC Agreement").

1. I agree that I fully and forever waive, release, acquit and discharge Spectrian Company and any and all past, current and future parent, subsidiary and affiliated companies, predecessors and successors thereto, as well as the Company's officers, directors, agents, employees, affiliates, representatives, shareholders and assigns (collectively the "Company"), from any and all claims, actions, charges, complaints, grievances and causes of action of whatever nature, whether now known or unknown, including but not limited to, all claims arising from or relating to my recruitment and hiring by the Company, my employment with the Company and the Involuntary Termination thereof, including but not limited to: claims for bonuses, or for severance except pursuant to the CIC Agreement; claims of breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, violation of public policy, fraud, intentional or negligent misrepresentation, defamation, personal injury, infliction of emotional distress, and claims under Title VII of the 1964 Civil Rights Act, the Equal Pay Act of 1963, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Civil Rights Act of 1866, the Employee Retirement Income Security Act of 1974, the Worker Adjustment Retraining and Notification Act, the Family Medical Leave Act, the California Government Code, the California Labor Code, and any other local, state and federal laws and regulations relating to employment, except any claim I may have for:

a. unemployment or any state disability insurance benefits pursuant to the terms of applicable state law;

b. workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company.

2. I understand and agree that if, hereafter, I discover facts different from or in addition to those which I now know or believe to be true, that the waivers and releases of this General Release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts. I agree that I fully and forever waive any and all rights and benefits conferred upon me by the provisions of Section 1542 of the Civil Code of the State of California (or other comparable provision of any applicable state statutory or common law), which states as follows (parentheticals added):

> A general release does not extend to claims which the creditor [i.e., me] does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor [i.e., the Company].

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3. I understand and agree that the severance, benefits, and options acceleration provided under the CIC Agreement shall constitute the entire consideration provided under this General Release and that I will not seek any further compensation or benefits in connection with my employment or for any other claims, damages, costs, or attorneys' fees in connection with the matters encompassed in this General Release.

4. I agree that neither the fact nor any aspect of this General Release is intended, or should be construed at any time, to be an admission of liability or wrongdoing by either myself or by the Company.

5. I agree that I will not make any negative or disparaging statements or comments, either as fact or as opinion, about the Company, including but not limited to its employees, officers, directors, shareholders, vendors, products or services, business, technologies, market position, performance and other similar information concerning the Company.

6. I agree that if any provision, or portion of a provision, of this General Release is, for any reason, held to be unenforceable, that such unenforceability will not affect any other provision, or portion of a provision, and this General Release shall be construed as if such unenforceable provision or portion had never been contained herein.

7. I understand that this Agreement constitutes the entire agreement between the Company and me on the subjects addressed herein, and no promises and representations were made to me which do not appear in this Agreement. This Agreement may not be modified or changed orally. I understand that no modification of any of the terms or conditions of this Agreement shall be effective unless made in writing and signed by the Company and me.

8. I understand that this Agreement supercedes and replaces all prior agreements between the Company and me, whether express or implied, oral or written, except that this Agreement (a) does not supercede the terms of any obligation which I have to maintain confidentiality of and not misappropriate trade secrets, or proprietary or confidential information of the Company; and (b) does not supercede the terms of any obligation which I have pertaining to the assignment of inventions to the Company.

9. I understand that I may review and consider, and discuss with an attorney of my own choosing, and decide whether or not to sign this General Release. I understand that through this General Release I am releasing the Company from any and all claims I have or may have against the Company, including age discrimination claims up through the Effective Date of this General Release.

10. I understand that if I choose to accept this General Release, I must date, sign, and deliver it to the Company no later than the 21st calendar day following my Involuntary Termination.

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11. I understand that after signing this Agreement, I have seven (7) days within which to revoke the Agreement. In order to revoke this Agreement, I understand that I must do so in writing and that I must deliver the written revocation so that it is received in the Company's physical possession before the end of the seven (7)-day revocation period. The written revocation must be delivered to the Company at the following address:

CEO
Spectrian Company
350 West Java Drive
Sunnyvale, CA 94089
Facsimile: (408) 541-0260

I further understand that I may not sign this General Release any earlier than the effective date of my Involuntary Termination, and that the Effective Date of this General Release will be the eighth day after I have signed it, provided that I have delivered it to the Company and I have not revoked it during the seven days after I signed it. I understand that I should return my signed General Release as noted above.

SPECTRIAN COMPANY

Dated: ___________________________

By: _________________________________

Its: ________________________________

____
Dated

____
Employee's Signature

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Exhibit 10.40.2

SPECTRIAN COMPANY

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement (the "Agreement") is made and entered into effective as of July 19, 2001 (the "Effective Date"), by and between Thomas H. Waechter (the "Employee") and Spectrian Company, a Delaware Corporation (the "Company"). Certain capitalized terms used in this Agreement are defined in Section 1 below.

R E C I T A L S

A. It is expected that the Company from time to time will consider the possibility of a Change of Control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Employee and can cause the Employee to consider alternative employment opportunities.

B. The Board believes that it is in the best interests of the Company and its shareholders to provide the Employee with an incentive to continue employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employee with certain severance benefits upon the Employee's termination of employment following a Change of Control.

D. The Board and Employee understand, agree and intend that this Agreement supercede and replace in full any prior verbal or written agreements as to the matters provided for herein, including, but not limited to, the Change of Control Severance Agreement previously entered into as of March 31, 2000, which prior agreement is hereby rendered null and void.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of Employee by the Company, the parties agree as follows:

1. Definition of Terms.

The following terms referred to in this Agreement shall have the following meanings:

(a) Cause.

"Cause" shall mean (i) any act of personal dishonesty taken by the Employee in

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connection with Employee's responsibilities as an employee which is intended to result in substantial personal enrichment of the Employee, (ii) Employee's conviction of a felony which the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business, (iii) a willful act by the Employee which constitutes misconduct and is injurious to the Company,

and (iv) continued willful violations by the Employee of the Employee's obligations to the Company after there has been delivered to the Employee a written demand for performance from the Company which describes the basis for the Company's belief that the Employee has not substantially performed Employee's duties.

(b) Change of Control.

"Change of Control" shall mean the occurrence of any of the following events:

(i) the approval by shareholders of the Company of a merger or consolidation of the Company with any other Company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(ii) any approval by the shareholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(iv) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of this Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors whose election or nomination was not in connection with any transaction described in subsections (i), (ii) or (iii) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(c) Involuntary Termination.

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"Involuntary Termination" shall mean (i) without the Employee's express written consent, a significant reduction of the Employee's duties, position or responsibilities relative to the Employee's duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the Employee from such position, duties and responsibilities, unless the Employee is provided with comparable duties, position and responsibilities as the CEO of an independent public company of equal or greater size reporting to the Board of Directors; (ii) without the Employee's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Employee immediately prior to such reduction; (iii) a reduction by the Company of the Employee's base salary or target bonus as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits package is significantly reduced; (v) without the

Employee's express written consent, the relocation of the Employee to a facility or a location more than thirty-five (35) miles from his current location; (vi) any purported termination of the Employee by the Company which is not effected for Cause or for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in the "Successors" clause below.

2. Term of Agreement.

This Agreement shall terminate upon the date that all obligations of the parties hereto under this Agreement have been satisfied.

3. At-Will Employment.

The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

4. Change of Control and Severance Benefits.

(a) Termination Following A Change of Control.

(i) Severance and Benefits. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then:

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(1) the Employee shall be entitled to receive a sum equal to thirty-six (36) months of Employee's annualized base salary (as in effect immediately prior to the Change of Control (less applicable tax withholdings). Such severance shall be paid bi-weekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the severance in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

(2) the Employee shall be entitled to receive a sum equal to three times Employee's annual target bonus in effect immediately prior to the Change of Control (less applicable tax withholdings). Such amount shall be paid biweekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the amount in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

(3) for a period of thirty-six (36) months following the Involuntary Termination, the Company shall continue to make available to the Employee and Employee's spouse and dependents, at the same cost to the Employee as was in effect prior to the Change of Control, all group health, life and other similar insurance plans in which Employee or Employee's dependents participate on the date of the Employee's termination, including the Executive Benefits identified in the Employee's offer letter.

(ii) Option Acceleration. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then the vesting and exercisability of each option granted to the Employee by the Company (the "Options") shall be automatically accelerated in full and the Employee will have 90 days to exercise such options pursuant to the terms of the applicable stock option agreements.

(b) Other Termination. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination after a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, but may be eligible for those benefits (if any) as may then be established under the Company's then existing severance and benefits plans and policies at the time of such termination.

5. Accrued Wages and Vacation; Expenses.

Without regard to the reason for, or the timing of, Employee's termination of employment: (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the date of termination; (ii) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the date of termination; and (iii) following submission of proper expense reports by the

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Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the date of termination. These payments shall be made promptly upon termination and within the period of time mandated by law.

6. Section 280G Gross Up Payment.

Notwithstanding anything to the contrary contained herein, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of a Change in Control but determined without regard to any additional payments required under this Agreement (collectively the "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any comparable federal, state or local excise tax, (such excise tax, together with any interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in such an amount that after the payment of all taxes (including, without limitation, any interest and penalties on such taxes and the Excise Tax) on the Payment and on the Gross-Up Payment, Employee shall retain an amount equal to the Payment minus all applicable taxes on the Payment; provided, however, that Employee will be entitled to receive a Gross-Up Payment only if the amount of a parachute payment, as defined in Section 280G(b)(2) of the Code, exceeds the sum of (A) the greater of (i) $100,000 or (ii) ten (10) percent of the payments under this Agreement plus (B) 2.99 times the Employee's base amount, as defined in Section 280G(b)(3) of the Code, and provided further, that if Employee is not entitled to receive a Gross-Up Payment, Employee will receive only an amount of total payments that would not include any excess parachute payment, as defined in Section 280G(b)(1) of the Code. The intent of the parties is that the Company shall be solely responsible for, and shall pay, any Excise Tax on any Payment and Gross-Up Payment and any income and employment taxes (including, without limitation, penalties and interest) imposed on any Gross-Up Payment, as well as any loss of tax deduction caused by the Gross-Up Payment.

All determinations required to be made under this Paragraph, including, without limitation, whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determinations, shall be made by Price Waterhouse or any other nationally recognized accounting firm which is the Company's outside auditor at the time of such determinations, which firm must be reasonably acceptable to Employee (the "Accounting Firm"). The Company shall cause the Accounting Firm to provide detailed supporting calculations to the Company and Employee within fifteen (15) business days after notice is given by Employee to the Company that there has been a Payment, or such earlier time as is requested by the Company. Within two (2) business days after said notice is given to the Company, the Company shall instruct the Accounting Firm to timely provide the data required by this Paragraph to Employee. All fees and expenses of the Accounting firm shall be borne solely by the Company. Any Gross-Up Payment as determined pursuant to this

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Paragraph, shall be paid by the Company to the Internal Revenue Service and/or other appropriate taxing authority on Employee's behalf within five (5) days after receipt of the Accounting Firm's determination. If the Accounting Firm determines that there is substantial authority (within the meaning of Section 6662 of the Code) that no Excise Tax is payable by Employee, the Accounting Firm shall furnish Employee with a written opinion that failure to disclose or report the Excise Tax on Employee's federal income tax return will not constitute a substantial understatement of tax or be reasonably likely to result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and Employee in the absence of material mathematical or legal error. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payment will not have been made by the Company that should have been made ("Underpayment") or that Gross-Up Payment have been made that should not have been made ("Overpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies provided below and Employee hereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to the Internal Revenue Service or other appropriate taxing authority on Employee's behalf or, if such Underpayment has been previously paid by Employee, to Employee. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to Employee with interest at applicable federal rate provided for in Section 7872(f) (2) of the Code, due and payable within ninety (90) days after written demand to Employee by the Company; provided, however that Employee shall have no duty or obligation whatsoever to repay said loan unless Employee's receipt of the Overpayment, or any portion thereof, is includible in Employee's income and Employee's repayment of same is not deductible by Employee for federal and state income tax purposes.

Employee shall notify the Company in writing of any claim by the Internal Revenue Service or state or local taxing authority, that, if successful, would result in any Excise Tax or an Underpayment ("Claim"). Such notice shall be given as soon as practicable but no later than fifteen (15) business days after Employee is informed in writing of the Claim and shall reprise the Company of the nature of the Claim, the administrative or judicial appeal period, and the date on which any payment of the claim must be paid. Employee shall not pay any portion of the claim prior to the expiration of the thirty (30) day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any amount under the Claim is due). If the Company notifies Employee in writing prior to the expiration of such thirty (30) day period that it desires to contest the Claim, Employee shall:

(i) give the Company any information reasonably requested by the Company relating to the Claim;

(ii) take such action in connection with contesting

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the Claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation concerning the Claim by an attorney selected by the Company who is reasonably acceptable to Employee; and

(iii) cooperate with the Company in good faith in order to effectively contest the Claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including, without limitation, additional interest and penalties and attorneys' fees) incurred in such contests and shall indemnify and hold Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including, without limitation interest and penalties thereon) imposed as a result of such representation. Without limitation upon the foregoing provisions, except as provided below, the Company shall control all proceedings concerning such contest and, at its sole option, may pursue or forego any and all administrative appeal, proceedings, hearings and conferences with the taxing authority pertaining to the Claim. At the written request of the Company and upon payment to Employee of an amount at least equal to the Claim plus any additional amount necessary to obtain the jurisdiction of the appropriate tribunal and/or court ("Additional Sum") Employee shall pay same and sue for a refund. Employee agrees to prosecute any contest of a Claim to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company requests Employee to pay the Claim and sue for interest-free basis, and shall indemnify and hold Employee harmless on an after-tax basis, from any Excise Tax or income tax (including, without limitation, interest and penalties thereon) imposed on such advance or for any imputed income on such advance. Any extension of the statute of limitations relating to assessment of any Excise Tax for the taxable year of Employee which is the subject of the Claim is to be limited solely to the Claim. Furthermore, the Company's control of the contest shall be limited to issues for which a Gross-Up Payment would be payable hereunder. Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by Employee of an amount advanced by the Company pursuant to this Agreement, Employee receives any refund of a Claim and/or any Additional Sum, Employee shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Employee of an amount advanced by the Company pursuant to this Agreement, a determination is made that Employee shall not be entitled to any refund of the Claim and the Company does not notify Employee in writing of its intent to contest such denial of refund of a Claim prior to the expiration of thirty (30) business days after such determination, then the portion of such advance attributable to a Claim shall be forgiven and shall not be required to be repaid. The amount of such advance attributable to a Claim shall offset, to the extent thereof, the amount of the Underpayment required to be paid by the Company to Employee.

If, after the advance of an Additional Sum by the Company, there is a "Final Determination" (as defined below) made by the taxing authority that Employee is not entitled to any refund of such Additional Sum, or any portion thereof, then

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such nonrefundable amount shall be repaid to the Company by Employee within thirty (30) business days after Employee receives notice of such Final Determination. A "Final Determination" shall occur when the period to contest or otherwise appeal

any decision by an administrative tribunal or court of initial jurisdiction has been waived or the tie for contesting or appealing same has expired.

7. Successors.

Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

Employee's Successors. Without the written consent of the Company, Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of Employee hereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notices.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Section. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by the

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Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his rights hereunder.

9. Arbitration.

Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in Palo Alto, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules") provided, however, that the arbitrator shall allow the discovery authorized by California

Code of Civil Procedure section 1280, et seq., or any other discovery required by California law in arbitration proceedings. Also, to the extent that any of the Rules or anything in this Agreement conflicts with any arbitration procedures required by California law, the arbitration procedures required by California law shall govern. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. Employee hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

Employee understands that nothing in this Section modifies Employee's at-will employment status. Either Employee or the Company can terminate the employment relationship at any time, with or without cause.

EMPLOYEE AND COMPANY HAVE READ AND UNDERSTAND THIS SECTION, WHICH DISCUSSES ARBITRATION. EMPLOYEE AND COMPANY UNDERSTAND THAT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF MUST BE SUBMITTED TO BINDING ARBITRATION TO THE EXTENT PERMITTED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JUDGE OR JURY TRIAL (CIVIL ACTION) AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL

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MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION.

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(b) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Integration. This Agreement and the stock option agreements representing the Options represent the entire agreement and understanding between the parties as to the subject matter herein and supersede all prior or contemporaneous agreements, whether written or oral.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Employment Taxes. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which

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together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

SPECTRIAN COMPANY

/s/ Thomas H. Waechter
____
Employee Signature

/s/ Garrett A. Garrettson
By: _________________________________

Chairman of the Board
Its: _________________________________

July 19, 2001
____
Date

July 20, 2001
____
Date

Exhibit A

GENERAL RELEASE OF ALL CLAIMS

(to Change of Control Severance Agreement)

On behalf of myself, my heirs, executors, administrators and assigns, I hereby make the following agreements and acknowledgements in exchange for the severance, benefits and option acceleration to be received by me under the Spectrian Company Change of Control Severance Agreement (the "CIC Agreement").

1. I agree that I fully and forever waive, release, acquit and discharge Spectrian Company and any and all past, current and future parent, subsidiary and affiliated companies, predecessors and successors thereto, as well as the Company's officers, directors, agents, employees, affiliates, representatives, shareholders and assigns (collectively the "Company"), from any and all claims, actions, charges, complaints, grievances and causes of action of whatever nature, whether now known or unknown, including but not limited to, all claims arising from or relating to my recruitment and hiring by the Company, my employment with the Company and the Involuntary Termination thereof, including but not limited to: claims for bonuses, or for severance except pursuant to the CIC Agreement; claims of breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, violation of public policy, fraud, intentional or negligent misrepresentation, defamation, personal injury, infliction of emotional distress, and claims under Title VII of the 1964 Civil Rights Act, the Equal Pay Act of 1963, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Civil Rights Act of 1866, the Employee Retirement Income Security Act of 1974, the Worker Adjustment Retraining and Notification Act, the Family Medical Leave Act, the California Government Code, the California Labor Code, and any other local, state and federal laws and

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regulations relating to employment, except any claim I may have for:

a. unemployment or any state disability insurance benefits pursuant to the terms of applicable state law;

b. workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company.

2. I understand and agree that if, hereafter, I discover facts different from or in addition to those which I now know or believe to be true, that the waivers and releases of this General Release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts. I agree that I fully and forever waive any and all rights and benefits conferred upon me by the provisions of Section 1542 of the Civil Code of the State of California (or other comparable provision of any applicable state statutory or common law), which states as follows (parentheticals added):

> A general release does not extend to claims which the creditor [i.e., me] does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor [i.e., the Company].

3. I understand and agree that the severance, benefits, and options acceleration provided under the CIC Agreement shall constitute the entire consideration provided under this General Release and that I will not seek any further compensation or benefits in connection with my employment or for any other claims, damages, costs, or attorneys' fees in connection with the matters encompassed in this General Release.

4. I agree that neither the fact nor any aspect of this General Release is intended, or should be construed at any time, to be an admission of liability or wrongdoing by either myself or by the Company.

5. I agree that I will not make any negative or disparaging statements or comments, either as fact or as opinion, about the Company, including but not limited to its employees, officers, directors, shareholders, vendors, products or services, business, technologies, market position, performance and other similar information concerning the Company.

6. I agree that if any provision, or portion of a provision, of this General Release is, for any reason, held to be unenforceable, that such unenforceability will not affect any other provision, or portion of a provision, and this General Release shall be construed as if such unenforceable provision or portion had never been contained herein.

7. I understand that this Agreement constitutes the entire agreement between the Company and me on the subjects addressed herein, and no promises and

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representations were made to me which do not appear in this Agreement. This Agreement may not be modified or changed orally. I understand that no modification of any of the terms or conditions of this Agreement shall be effective unless made in writing and signed by the Company and me.

8. I understand that this Agreement supercedes and replaces all prior agreements between the Company and me, whether express or implied, oral or written, except that this Agreement (a) does not supercede the terms of any obligation which I have to maintain confidentiality of and not misappropriate trade secrets, or proprietary or confidential information of the Company; and (b) does not supercede the terms of any obligation which I have pertaining to the assignment of inventions to the Company.

9. I understand that I may review and consider, and discuss with an attorney of my own choosing, and decide whether or not to sign this General Release. I understand that through this General Release I am releasing the Company from any and all claims I have or may have against the Company, including age discrimination claims up through the Effective Date of this General Release.

10. I understand that if I choose to accept this General Release, I must date, sign, and deliver it to the Company no later than the 21st calendar day following my Involuntary Termination.

11. I understand that after signing this Agreement, I have seven (7) days within which to revoke the Agreement. In order to revoke this Agreement, I understand that I must do so in writing and that I must deliver the written revocation so that it is received in the Company's physical possession before the end of the seven (7)-day revocation period. The written revocation must be delivered to the Company at the following address:

Vice President, Human Resources
Spectrian Company
350 West Java Drive
Sunnyvale, CA 94089
Facsimile: (408) 541-0260

I further understand that I may not sign this General Release any earlier than the effective date of my Involuntary Termination, and that the Effective Date of this General Release will be the eighth day after I have signed it, provided that I have delivered it to the Company and I have not revoked it during the seven days after I signed it. I understand that I should return my signed General Release as noted above.

SPECTRIAN COMPANY

Dated: ______________________________ By: _______________________________

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Its: ______________________________

______________________________________ ____________________________________

Dated Employee's Signature

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Exhibit 10.40.3

SPECTRIAN COMPANY

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement (the "Agreement") is made and entered into effective as of July 19, 2001 (the "Effective Date"), by and between Michael D. Angel (the "Employee") and Spectrian Company, a Delaware Corporation (the "Company"). Certain capitalized terms used in this Agreement are defined in Section 1 below.

R E C I T A L S

A. It is expected that the Company from time to time will consider the possibility of a Change of Control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to the Employee and can cause the Employee to consider alternative employment opportunities.

B. The Board believes that it is in the best interests of the Company and its shareholders to provide the Employee with an incentive to continue employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employee with certain severance benefits upon the Employee's termination of employment following a Change of Control.

D. The Board and Employee understand, agree and intend that this Agreement supercede and replace in full any prior verbal or written agreements as to the matters provided for herein, including, but not limited to, the Change of Control Severance Agreement previously entered into as of February 16, 2000, which prior agreement is hereby rendered null and void.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of Employee by the Company, the parties agree as follows:

1. Definition of Terms.

The following terms referred to in this Agreement shall have the following meanings:

(a) Cause.

"Cause" shall mean (i) any act of personal dishonesty taken by the Employee in

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connection with Employee's responsibilities as an employee which is intended to result in substantial personal enrichment of the Employee, (ii) Employee's conviction of a felony which the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business, (iii) a willful act by the Employee which constitutes misconduct and is injurious to the Company,

and (iv) continued willful violations by the Employee of the Employee's obligations to the Company after there has been delivered to the Employee a written demand for performance from the Company which describes the basis for the Company's belief that the Employee has not substantially performed Employee's duties.

(b) Change of Control.

"Change of Control" shall mean the occurrence of any of the following events:

(i) the approval by shareholders of the Company of a merger or consolidation of the Company with any other Company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(ii) any approval by the shareholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(iv) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of this Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors whose election or nomination was not in connection with any transaction described in subsections (i), (ii) or (iii) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(c) Involuntary Termination.

"Involuntary Termination" shall mean (i) without the Employee's express written consent, a significant reduction of the Employee's duties, position or

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responsibilities relative to the Employee's duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the Employee from such position, duties and responsibilities, unless the Employee is provided with comparable duties, position and responsibilities as the CFO of an independent public company of equal or greater size reporting to the CEO; (ii) without the Employee's express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the Employee immediately prior to such reduction; (iii) a reduction by the Company of the Employee's base salary or target bonus as in effect immediately prior to such reduction; (iv) a material reduction by the Company in the kind or level of employee benefits to which the Employee is entitled immediately prior to such reduction with the result that the Employee's overall benefits package is significantly reduced; (v) without the Employee's express

written consent, the relocation of the Employee to a facility or a location more than thirty-five (35) miles from his current location; (vi) any purported termination of the Employee by the Company which is not effected for Cause or for which the grounds relied upon are not valid; or (vii) the failure of the Company to obtain the assumption of this Agreement by any successors contemplated in the "Successors" clause below.

2. Term of Agreement.

This Agreement shall terminate upon the date that all obligations of the parties hereto under this Agreement have been satisfied.

3. At-Will Employment.

The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

4. Change of Control and Severance Benefits.

(a) Termination Following A Change of Control.

(i) Severance and Benefits. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then:

(1) the Employee shall be entitled to receive a sum equal to twenty - four (24) months of Employee's annualized base

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salary (as in effect immediately prior to the Change of Control (less applicable tax withholdings). Such severance shall be paid bi-weekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the severance in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

(2) the Employee shall be entitled to receive a sum equal to two times Employee's annual target bonus in effect immediately prior to the Change of Control (less applicable tax withholdings). Such amount shall be paid biweekly in accordance with the Company's normal payroll practices unless the Employee elects to receive the amount in one lump sum payment. Payment(s) will be made or will begin within 30 days from the effective date of the General Release of All Claims.

(3) for a period of twenty - four (24) months following the Involuntary Termination, the Company shall continue to make available to the Employee and Employee's spouse and dependents, at the same cost to the Employee as was in effect prior to the Change of Control, all group health, life and other similar insurance plans in which Employee or Employee's dependents participate on the date of the Employee's termination, including the Executive Benefits identified in the Employee's offer letter.

(ii) Option Acceleration. If the Employee's employment with the Company terminates as a result of an Involuntary Termination at any time after a Change of Control, and provided that the Employee duly executes a General Release of All Claims, in the form attached hereto as Exhibit A or in another form provided by the Company, then the vesting and exercisability of each option granted to the Employee by the Company (the "Options") shall be automatically accelerated in full and the Employee will have 90 days to exercise such options pursuant to the terms of the applicable stock option agreements.

(b) Other Termination. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination after a Change of Control, then the Employee shall not be entitled to receive severance or other benefits hereunder, but may be eligible for those benefits (if any) as may then be established under the Company's then existing severance and benefits plans and policies at the time of such termination.

5. Accrued Wages and Vacation; Expenses.

Without regard to the reason for, or the timing of, Employee's termination of employment: (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the date of termination; (ii) the Company shall pay the Employee all of the Employee's accrued and unused vacation through the date of termination; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the

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Company prior to the date of termination. These payments shall be made promptly upon termination and within the period of time mandated by law.

6. Section 280G Gross Up Payment.

Notwithstanding anything to the contrary contained herein, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of a Change in Control but determined without regard to any additional payments required under this Agreement (collectively the "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any comparable federal, state or local excise tax, (such excise tax, together with any interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in such an amount that after the payment of all taxes (including, without limitation, any interest and penalties on such taxes and the Excise Tax) on the Payment and on the Gross-Up Payment, Employee shall retain an amount equal to the Payment minus all applicable taxes on the Payment; provided, however, that Employee will be entitled to receive a Gross-Up Payment only if the amount of a parachute payment, as defined in Section 280G(b)(2) of the Code, exceeds the sum of (A) the greater of (i) $100,000 or (ii) ten (10) percent of the payments under this Agreement plus (B) 2.99 times the Employee's base amount, as defined in Section 280G(b)(3) of the Code, and provided further, that if Employee is not entitled to receive a Gross-Up Payment, Employee will receive only an amount of total payments that would not include any excess parachute payment, as defined in Section 280G(b)(1) of the Code. The intent of the parties is that the Company shall be solely responsible for, and shall pay, any Excise Tax on any Payment and Gross-Up Payment and any income and employment taxes (including, without limitation, penalties and interest) imposed on any Gross-Up Payment, as well as any loss of tax deduction caused by the Gross-Up Payment.

All determinations required to be made under this Paragraph, including, without limitation, whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determinations, shall be made by Price Waterhouse or any other nationally recognized accounting firm which is the Company's outside auditor at the time of such determinations, which firm must be reasonably acceptable to Employee (the "Accounting Firm"). The Company shall cause the Accounting Firm to provide detailed supporting calculations to the Company and Employee within fifteen (15) business days after notice is given by Employee to the Company that there has been a Payment, or such earlier time as is requested by the Company. Within two (2) business days after said notice is given to the Company, the Company shall instruct the Accounting Firm to timely provide the data required by this Paragraph to Employee. All fees and expenses of the Accounting firm shall be borne solely by the Company. Any Gross-Up Payment as determined pursuant to this Paragraph, shall be paid by the Company to the Internal Revenue Service and/or other appropriate taxing authority on Employee's behalf within five (5) days

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after receipt of the Accounting Firm's determination. If the Accounting Firm determines that there is substantial authority (within the meaning of Section 6662 of the Code) that no Excise Tax is payable by Employee, the Accounting Firm shall furnish Employee with a written opinion that failure to disclose or report the Excise Tax on Employee's federal income tax return will not constitute a substantial understatement of tax or be reasonably likely to result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and Employee in the absence of material mathematical or legal error. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payment will not have been made by the Company that should have been made ("Underpayment") or that Gross-Up Payment have been made that should not have been made ("Overpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies provided below and Employee hereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to the Internal Revenue Service or other appropriate taxing authority on Employee's behalf or, if such Underpayment has been previously paid by Employee, to Employee. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to Employee with interest at applicable federal rate provided for in Section 7872(f) (2) of the Code, due and payable within ninety (90) days after written demand to Employee by the Company; provided, however that Employee shall have no duty or obligation whatsoever to repay said loan unless Employee's receipt of the Overpayment, or any portion thereof, is includible in Employee's income and Employee's repayment of same is not deductible by Employee for federal and state income tax purposes.

Employee shall notify the Company in writing of any claim by the Internal Revenue Service or state or local taxing authority, that, if successful, would result in any Excise Tax or an Underpayment ("Claim"). Such notice shall be given as soon as practicable but no later than fifteen (15) business days after Employee is informed in writing of the Claim and shall reprise the Company of the nature of the Claim, the administrative or judicial appeal period, and the date on which any payment of the claim must be paid. Employee shall not pay any portion of the claim prior to the expiration of the thirty (30) day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any amount under the Claim is due). If the Company notifies Employee in writing prior to the expiration of such thirty (30) day period that it desires to contest the Claim, Employee shall:

(i) give the Company any information reasonably requested by the Company relating to the Claim;

(ii) take such action in connection with contesting the Claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation concerning the

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Claim by an attorney selected by the Company who is reasonably acceptable to Employee; and

(iii) cooperate with the Company in good faith in order to effectively contest the Claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including, without limitation, additional interest and penalties and attorneys' fees) incurred in such contests and shall indemnify and hold Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including, without limitation interest and penalties thereon) imposed as a result of such representation. Without limitation upon the foregoing provisions, except as provided below, the Company shall control all proceedings concerning such contest and, at its sole option, may pursue or forego any and all administrative appeal, proceedings, hearings and conferences with the taxing authority pertaining to the Claim. At the written request of the Company and upon payment to Employee of an amount at least equal to the Claim plus any additional amount necessary to obtain the jurisdiction of the appropriate tribunal and/or court ("Additional Sum") Employee shall pay same and sue for a refund. Employee agrees to prosecute any contest of a Claim to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company requests Employee to pay the Claim and sue for interest-free basis, and shall indemnify and hold Employee harmless on an after-tax basis, from any Excise Tax or income tax (including, without limitation, interest and penalties thereon) imposed on such advance or for any imputed income on such advance. Any extension of the statute of limitations relating to assessment of any Excise Tax for the taxable year of Employee which is the subject of the Claim is to be limited solely to the Claim. Furthermore, the Company's control of the contest shall be limited to issues for which a Gross-Up Payment would be payable hereunder. Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by Employee of an amount advanced by the Company pursuant to this Agreement, Employee receives any refund of a Claim and/or any Additional Sum, Employee shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Employee of an amount advanced by the Company pursuant to this Agreement, a determination is made that Employee shall not be entitled to any refund of the Claim and the Company does not notify Employee in writing of its intent to contest such denial of refund of a Claim prior to the expiration of thirty (30) business days after such determination, then the portion of such advance attributable to a Claim shall be forgiven and shall not be required to be repaid. The amount of such advance attributable to a Claim shall offset, to the extent thereof, the amount of the Underpayment required to be paid by the Company to Employee.

If, after the advance of an Additional Sum by the Company, there is a "Final Determination" (as defined below) made by the taxing authority that Employee is not entitled to any refund of such Additional Sum, or any portion thereof, then such nonrefundable amount shall be repaid to the Company by Employee within thirty (30) business days after Employee receives notice of such Final

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Determination. A "Final Determination" shall occur when the period to contest or otherwise appeal

any decision by an administrative tribunal or court of initial jurisdiction has been waived or the tie for contesting or appealing same has expired.

7. Successors.

Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

Employee's Successors. Without the written consent of the Company, Employee shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of Employee hereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notices.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Section. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Employee

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hereunder or preclude the Employee from asserting such fact or circumstance in enforcing his rights hereunder.

9. Arbitration.

Any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, shall be settled by binding arbitration to be held in Palo Alto, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules") provided, however, that the arbitrator shall allow the discovery authorized by California

Code of Civil Procedure section 1280, et seq., or any other discovery required by California law in arbitration proceedings. Also, to the extent that any of the Rules or anything in this Agreement conflicts with any arbitration procedures required by California law, the arbitration procedures required by California law shall govern. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

The arbitrator(s) shall apply California law to the merits of any dispute or claim, without reference to conflicts of law rules. Employee hereby consents to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

Employee understands that nothing in this Section modifies Employee's at-will employment status. Either Employee or the Company can terminate the employment relationship at any time, with or without cause.

EMPLOYEE AND COMPANY HAVE READ AND UNDERSTAND THIS SECTION, WHICH DISCUSSES ARBITRATION. EMPLOYEE AND COMPANY UNDERSTAND THAT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF MUST BE SUBMITTED TO BINDING ARBITRATION TO THE EXTENT PERMITTED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHT TO A JUDGE OR JURY TRIAL (CIVIL ACTION) AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EMPLOYEE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION.

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(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(b) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Integration. This Agreement and the stock option agreements representing the Options represent the entire agreement and understanding between the parties as to the subject matter herein and supersede all prior or contemporaneous agreements, whether written or oral.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Employment Taxes. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

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IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

SPECTRIAN COMPANY

/s/ Michael D. Angel
____
Employee Signature

By: /s/ Thomas H. Waechter
____

Its: CEO & President
____

July 19, 2001
____
Date

July 19, 2001
____
Date

Exhibit A

GENERAL RELEASE OF ALL CLAIMS

(to Change of Control Severance Agreement)

On behalf of myself, my heirs, executors, administrators and assigns, I hereby make the following agreements and acknowledgements in exchange for the severance, benefits and option acceleration to be received by me under the Spectrian Company Change of Control Severance Agreement (the "CIC Agreement").

1. I agree that I fully and forever waive, release, acquit and discharge Spectrian Company and any and all past, current and future parent, subsidiary and affiliated companies, predecessors and successors thereto, as well as the Company's officers, directors, agents, employees, affiliates, representatives, shareholders and assigns (collectively the "Company"), from any and all claims, actions, charges, complaints, grievances and causes of action of whatever nature, whether now known or unknown, including but not limited to, all claims arising from or relating to my recruitment and hiring by the Company, my employment with the Company and the Involuntary Termination thereof, including but not limited to: claims for bonuses, or for severance except pursuant to the CIC Agreement; claims of breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, violation of public policy, fraud, intentional or negligent misrepresentation, defamation, personal injury, infliction of emotional distress, and claims under Title VII of the 1964 Civil Rights Act, the Equal Pay Act of 1963, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Civil Rights Act of 1866, the Employee Retirement Income Security Act of 1974, the Worker Adjustment Retraining and Notification Act, the Family Medical Leave Act, the California Government Code, the California Labor Code, and any other local, state and federal laws and regulations relating to employment, except any claim I may have for:

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a. unemployment or any state disability insurance benefits pursuant to the terms of applicable state law;

b. workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company.

2. I understand and agree that if, hereafter, I discover facts different from or in addition to those which I now know or believe to be true, that the waivers and releases of this General Release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts. I agree that I fully and forever waive any and all rights and benefits conferred upon me by the provisions of Section 1542 of the Civil Code of the State of California (or other comparable provision of any applicable state statutory or common law), which states as follows (parentheticals added):

> A general release does not extend to claims which the creditor [i.e., me] does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor [i.e., the Company].

3. I understand and agree that the severance, benefits, and options acceleration provided under the CIC Agreement shall constitute the entire consideration provided under this General Release and that I will not seek any further compensation or benefits in connection with my employment or for any other claims, damages, costs, or attorneys' fees in connection with the matters encompassed in this General Release.

4. I agree that neither the fact nor any aspect of this General Release is intended, or should be construed at any time, to be an admission of liability or wrongdoing by either myself or by the Company.

5. I agree that I will not make any negative or disparaging statements or comments, either as fact or as opinion, about the Company, including but not limited to its employees, officers, directors, shareholders, vendors, products or services, business, technologies, market position, performance and other similar information concerning the Company.

6. I agree that if any provision, or portion of a provision, of this General Release is, for any reason, held to be unenforceable, that such unenforceability will not affect any other provision, or portion of a provision, and this General Release shall be construed as if such unenforceable provision or portion had never been contained herein.

7. I understand that this Agreement constitutes the entire agreement between the Company and me on the subjects addressed herein, and no promises and representations were made to me which do not appear in this Agreement. This Agreement may not be modified or changed orally. I understand that no

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modification of any of the terms or conditions of this Agreement shall be effective unless made in writing and signed by the Company and me.

8. I understand that this Agreement supercedes and replaces all prior agreements between the Company and me, whether express or implied, oral or written, except that this Agreement (a) does not supercede the terms of any obligation which I have to maintain confidentiality of and not misappropriate trade secrets, or proprietary or confidential information of the Company; and (b) does not supercede the terms of any obligation which I have pertaining to the assignment of inventions to the Company.

9. I understand that I may review and consider, and discuss with an attorney of my own choosing, and decide whether or not to sign this General Release. I understand that through this General Release I am releasing the Company from any and all claims I have or may have against the Company, including age discrimination claims up through the Effective Date of this General Release.

10. I understand that if I choose to accept this General Release, I must date, sign, and deliver it to the Company no later than the 21st calendar day following my Involuntary Termination.

11. I understand that after signing this Agreement, I have seven (7) days within which to revoke the Agreement. In order to revoke this Agreement, I understand that I must do so in writing and that I must deliver the written revocation so that it is received in the Company's physical possession before the end of the seven (7)-day revocation period. The written revocation must be delivered to the Company at the following address:

Vice President, Human Resources
Spectrian Company
350 West Java Drive
Sunnyvale, CA 94089
Facsimile: (408) 541-0260

I further understand that I may not sign this General Release any earlier than the effective date of my Involuntary Termination, and that the Effective Date of this General Release will be the eighth day after I have signed it, provided that I have delivered it to the Company and I have not revoked it during the seven days after I signed it. I understand that I should return my signed General Release as noted above.

SPECTRIAN COMPANY

Dated: ______________________________ By: ______________________________

Its: ______________________________

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_______________________________________ _________________________________

Dated Employee's Signature

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Exhibit 10.53

LOAN MODIFICATION AGREEMENT

This Loan Modification Agreement is entered into as of August 2, 2001, by and between Spectrian Corporation ("Borrower") and Silicon Valley Bank ("Bank").

1. DESCRIPTION OF EXISTING INDEBTEDNESS: Among other indebtedness which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to, among other documents, an Amended and Restated Loan and Security Agreement, dated August 9, 1999, as may be amended from time to time, (the "Loan Agreement"). The Loan Agreement provided for, among other things, a Committed Revolving Line in the original principal amount of Ten Million Dollars ($10,000,000). Defined terms used but not otherwise defined herein shall have the same meanings as set forth in the Loan Agreement.

Hereinafter, all indebtedness owing by Borrower to Bank shall be referred to as the "Indebtedness."

2. DESCRIPTION OF COLLATERAL. Repayment of the Indebtedness is secured by the Collateral as described in the Loan Agreement.

Hereinafter, the above-described security documents and guaranties, together with all other documents securing repayment of the Indebtedness shall be referred to as the "Security Documents". Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modification(s) to Loan Agreement.

1. Subsection (iii) under Section 6.7 entitled "Financial Covenants" is hereby amended in its entirety to read as follows:

Profitability. Borrower will have a minimum net profit of $1 for each quarter net of any realized gain or loss on the sale of the 1,000,000 shares of CREE Inc. common stock and related options, except that Borrower may suffer losses not to exceed $2,500,000 for the quarters ending September 30, 2001 and December 31, 2001.

B. Waiver of Financial Covenant Default(s)

1. Bank hereby waives Borrower's existing default under the Loan Agreement by virtue of Borrower's failure to comply with the Profitability covenant as of quarter ended June 30, 2001. Bank's waiver of Borrower's compliance of this

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covenant shall apply only to the foregoing period. Accordingly, for the period ended September 30, 2001, Borrower shall be in compliance with this covenant, as amended herein.

Bank's agreement to waive the above-described default (1) in no way shall be deemed an agreement by the Bank to waive Borrower's compliance with the above-described covenant as of all other dates and (2) shall not limit or impair the Bank's right to demand strict performance of this covenant as of all other dates and (3) shall not limit or impair the Bank's right to demand strict performance of all other covenants as of any date.

4. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

5. NO DEFENSES OF BORROWER. Borrower (and each guarantor and pledgor signing below) agrees that, as of the date hereof, it has no defenses against the obligations to pay any amounts under the Indebtedness.

6. PAYMENT OF LOAN FEE. Borrower shall pay Bank a fee in the amount of Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) ("Loan Fee") plus all out-of-pocket expenses.

7. CONTINUING VALIDITY. Borrower (and each guarantor and pledgor signing below) understands and agrees that in modifying the existing Indebtedness, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Indebtedness pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Indebtedness. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Existing Loan Documents, unless the party is expressly released by Bank in writing. Unless expressly released herein, no maker, endorser, or guarantor will be released by virtue of this Loan Modification Agreement. The terms of this paragraph apply not only to this Loan Modification Agreement, but also to all subsequent loan modification agreements.

8. CONDITIONS. The effectiveness of this Loan Modification Agreement is conditioned upon payment of the Loan Fee.

This Loan Modification Agreement is executed as of the date first written above.

BORROWER:	BANK:
SPECTRIAN CORPORATION	SILICON VALLEY BANK

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By: /s/ Michael D. Angel

Name: Michael D. Angel

Title: EVP and CFO

By: /s/ Meg Piper

Name: Meg Piper

Title: AVP

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