FORM S-1

General form of registration statement for all companies including face-amount certificate companies

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FILER

SOMERA COMMUNICATIONS INC
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As filed with the Securities and Exchange Commission on September 10, 1999
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

SOMERA COMMUNICATIONS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	5065	77-0521878
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5383 Hollister Avenue
Santa Barbara, California 93111
(805) 681-3322
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

DAN FIRESTONE
Chief Executive Officer
Somera Communications, Inc.
5383 Hollister Avenue
Santa Barbara, California 93111
(805) 681-3322
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Jeffrey D. Saper, Esq. Richard Jay Silverstein, Esq. Craig N. Lang, Esq. WILSON SONSINI GOODRICH & ROSATI Professional Corporation 650 Page Mill Road Palo Alto, CA 94304 (650) 493-9300	Patrick A. Pohlen, Esq. COOLEY GODWARD LLP 5 Palo Alto Square 3000 El Camino Real Palo Alto, CA 94306 (650) 843-5000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this Form is filed to register additional securities for an offering

pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Proposed Maximum Offering Price(1)	Amount of Registration Fee
<S>	<C>	<C>
Common Stock $0.001 par value per share.....	$115,000,000	$31,970

</TABLE>

(1) Estimated pursuant to Rule 457(o) solely for the purpose of calculating the amount of the registration fee.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

+The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.+

Subject to Completion, dated September 10, 1999

PROSPECTUS

Shares

[LOGO OF SOMERA]

Common Stock

This is our initial public offering of shares of common stock. We are offering shares. No public market currently exists for our shares.

We propose to list our common stock on the Nasdaq National Market under the symbol "SMRA." Anticipated price range of $ to $ per share.

Investing in the shares involves risks. "Risk Factors" begin on page 6.

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	Per Share	Total
<S>	<C>	<C>
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Somera Communications	$	$

</TABLE>

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock on the same terms and conditions as set forth above solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers expects to deliver the shares on or about , 1999.

Lehman Brothers

Dain Rauscher Wessels
a division of Dain Rauscher Incorporated

Thomas Weisel Partners LLC

, 1999

[INSIDE FRONT COVER ARTWORK]

[We intend to file cover artwork and captions by amendment.]

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. We are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

This preliminary prospectus is subject to completion prior to this offering. Among other things, this preliminary prospectus describes our company as we currently expect it to exist at the time of the offering.

See the section of this prospectus entitled "Risk Factors" for a discussion of factors that you should consider before investing in our common stock.

Unless otherwise indicated, all information in this prospectus:

- Reflects a 3 for 2 split of the Class A units and Class B units of Somera Communications, LLC, a California limited liability company;
- Reflects the exchange of all of the Class A units and Class B units of Somera Communications, LLC, for shares of common stock of Somera Communications, Inc., a Delaware corporation, prior to this offering;
- Reflects the assumption of the operations, assets, liabilities and commitments of Somera Communications, LLC by Somera Communications, Inc. prior to this offering;
- Assumes the filing of our amended and restated certificate of incorporation, which, among other things, will authorize 200 million shares of common stock and 20 million shares of undesignated preferred stock; and
- Assumes no exercise of the underwriters' over-allotment option.

Certain statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Business" and elsewhere in this prospectus are forward-looking statements. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "expects," "anticipates," "intends," "plans," "believes," "seeks" and

"estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

All trademarks or service marks appearing in this prospectus are the property of their respective holders.

References in this prospectus to "Somera Communications," "we," "our," and "us" refer to Somera Communications, Inc. and our predecessor, Somera Communications, LLC, unless the context otherwise requires. Somera Communications, LLC was formed in California on July 27, 1995. Somera Communications, Inc. was incorporated as a Delaware corporation in August 1999. The unit holders of Somera Communications, LLC will exchange all of their outstanding units for shares of common stock of, and Somera Communications, LLC will be succeeded by, Somera Communications, Inc. prior to this offering. Our principal executive offices are located at 5383 Hollister Avenue, Santa Barbara, California 93111. Our telephone number is (805) 681-3322. Our web site address is www.somera.com. Information contained on our web site does not constitute part of this prospectus.

Until 1999, all dealers that buy, sell or trade the common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company, the common stock being sold in this offering and our financial statements and related notes appearing elsewhere in this prospectus.

We provide telecommunications carriers with a broad range of infrastructure equipment and related services designed to meet their specific and changing equipment needs. We offer our customers a unique combination of new, de-installed and refurbished equipment from a variety of manufacturers, allowing them to make multi-vendor purchases from a single, cost-effective source. To further address our customers' dynamic equipment needs, we offer a suite of customized, value-added services, including asset recovery, inventory management, technical support and other ancillary services. We sell equipment to over 750 customers, including leading carriers such as ALLTEL Corporation, AT&T Corporation, McLeodUSA, Inc., Sprint Corporation, United States Cellular Corp. and Vodafone AirTouch plc. For the twelve months ended June 30, 1999, we had net revenue of $90.6 million, gross profit of $34.5 million and net income of $20.7 million.

The telecommunications infrastructure equipment market has experienced tremendous growth in recent years. Dataquest projects that worldwide sales of telecommunications infrastructure equipment will grow from $180 billion in 1998 to $230 billion in 2002. Telecommunications carriers are facing a number of challenges, including increased competition, the need to rapidly expand service offerings, increased demand for communications services and technology advancements. These challenges are having a significant impact on carriers' equipment and service needs. Carriers have invested hundreds of billions of dollars in telecommunications network infrastructure. To maximize the value of their investments, carriers are expanding and upgrading their existing networks and utilizing existing and new technologies and equipment from multiple vendors. In addition, carriers are seeking cost-effective ways to expand and maintain existing elements of their networks based on mature technologies. A significant portion of the equipment replaced by carriers, referred to as de-

installed equipment, is suitable for redeployment in other parts of a carrier's network. While historically carriers may have scrapped de-installed equipment or let it remain idle, competitive factors increasingly require carriers to recapture a portion of their original investment. As they attempt to respond to their changing equipment and service needs, carriers are discovering that traditional equipment suppliers, including original equipment manufacturers, or OEMs, distributors and niche secondary market dealers are unable to fulfill their complex and changing equipment needs.

Our innovative equipment and service offerings are delivered through our team of 75 sales and procurement professionals, who work individually with carriers to understand, anticipate and meet their ongoing equipment requirements. Our sales teams utilize our relationship management database, our selective inventory and our distribution center to provide our customers with rapidly deployable equipment solutions.

The key benefits of our solution include:

- Broad Multi-vendor Equipment Offering. We provide customers with an effective alternative to traditional telecommunications equipment supply channels by offering a broad range of new, de-installed and refurbished equipment from a variety of manufacturers. We offer infrastructure equipment, including switching, transmission, access, wireless, microwave and power products.

- Rapid Responsiveness to Dynamic Customer Needs. We provide carriers with convenient access to our skilled and dedicated sales and service professionals who are capable of quickly identifying and responding to their diverse equipment needs. We are able to quickly locate and provide equipment to carriers by using our relationship management database and maintaining selective inventory.

- Flexible Asset Recovery Programs. We provide innovative and effective asset recovery programs that enable carriers to cost-effectively build, upgrade and maintain their networks and to recapture value from their excess and de-installed equipment.

- Simplified, Value-added Materials Management Services. We provide carriers with a full range of value-added services, including technical, materials management and other network deployment services that simplifies the management of their equipment inventory and allows them to focus more on their core business.

Our objective is to be the premier provider of telecommunications infrastructure equipment and related services to carriers worldwide. Key elements of our strategy include:

- Expanding our penetration of the telecommunications carrier market;

- Expanding our product lines and service capabilities;

- Increasing our penetration into the regional bell operating companies, or RBOCs;

- Pursuing opportunities for international growth; and

- Pursuing selective acquisitions.

The Offering

Common stock offered by Somera Communications..	shares
Common stock outstanding after the offering....	shares
Use of proceeds.....	We intend to use the net proceeds of this offering to repay outstanding bank indebtedness, for capital expenditures and for general corporate purposes, including working capital. See "Use of Proceeds."
Dividend policy.....	We do not intend to pay dividends on our common stock. We plan to retain earnings for use in the operation of our business and to fund future growth.
Proposed Nasdaq National Market symbol.....	"SMRA"

In addition to the shares of common stock to be outstanding after the offering, we may issue additional shares of common stock under the following plans and arrangements:

- 6,750,000 shares issuable under our 1999 Stock Option Plan, consisting of:
  - 1,490,093 Somera Communications, LLC units underlying outstanding options at a weighted average exercise price of $8.09 per share, none of which were exercisable as of August 31, 1999, and which will be converted into options to purchase an equivalent number of shares under our 1999 Stock Option Plan; and
  - 5,259,907 shares available for future grants;
- 207,655 Somera Communications, LLC units issuable upon exercise of outstanding warrants at a weighted average exercise price of $8.07 per share, which were fully exercisable as of August 31, 1999, and which will be converted into warrants exercisable for an equivalent number of shares of our common stock;
- 300,000 shares available for issuance under our 1999 Employee Stock Purchase Plan; and
- 300,000 shares available for issuance under our 1999 Director Option Plan.

Summary Financial Data

The following summary financial data should be read in conjunction with our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The statements of operations for each of the years ended

December 31, 1996, 1997 and 1998 and the six months ended June 30, 1999 and the balance sheet data at December 31, 1997, 1998 and June 30, 1999 are derived from our financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, included elsewhere in this prospectus. The statement of operations data for the six months ended June 30, 1998 is derived from our unaudited financial statements included elsewhere in this prospectus.

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	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
				(unaudited)	
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations:					
Net revenue	$10,149	$34,603	$72,186	$34,417	$52,834
Cost of net revenue	5,532	20,587	43,132	21,037	34,023
Gross profit	4,617	14,016	29,054	13,380	18,811
Operating expenses:					
Sales and marketing	780	2,593	5,747	2,394	4,385
General and administrative	696	1,648	3,939	1,326	2,999
Stock-based compensation	--	--	--	--	193
Total operating expenses	1,476	4,241	9,686	3,720	7,577
Income from operations	3,141	9,775	19,368	9,660	11,234
Interest expense, net	18	82	187	75	144
Net income	$ 3,123	$ 9,693	$19,181	$ 9,585	$11,090
Pro-forma net income per share--basic(1)	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average shares--basic	37,500	38,052	38,063	38,063	38,063
Pro-forma net income per share--diluted(1)	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average shares--diluted	37,500	38,052	38,063	38,063	38,069

</TABLE>

(1) See Note 2 of notes to the financial statements for an explanation of the calculation of net income per unit--basic and diluted. Net income per share--basic and diluted has been stated above assuming a one-for-one exchange of the units of Somera Communications, LLC for shares of our common stock.

The following data provides a summary of our balance sheet at June 30, 1999. The pro-forma column gives effect to:

- the distribution to members of approximately $6.5 million in July 1999;
- the receipt of the proceeds of $50 million from a term loan facility made by Fleet National Bank and the payment of $750,000 of bank fees associated with the facility;
- the payment to stockholders of a distribution of $48.5 million upon

receipt of proceeds of the term loan facility;
- the repayment of an aggregate principal amount of $3.5 million to note holders in September 1999; and
- the creation of a deferred tax asset of approximately $17.0 million as a result of the change in tax status from a limited liability company to a "C" corporation.

The as adjusted column reflects the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share after deducting the estimated underwriting discount and offering expenses payable by us. See "Use of Proceeds" and "Capitalization."

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	June 30, 1999		
	Actual	Pro-forma	Pro-forma As Adjusted
	(in thousands)		
<S>	<C>	<C>	<C>
Balance Sheet Data:			
Working capital	$ 9,975	$ 2,409	$
Deferred tax asset	--	17,000	
Total assets	27,202	43,720	
Notes payable--net of current portion	1,957	--	
Term debt	--	49,250	
Mandatorily redeemable Class B units	51,750	--	
Total members' deficit/Stockholders' equity (deficit)	(42,765)	(28,874)	

</TABLE>

Commencing with 1997, our fiscal years are on a 52 and 53 week basis. For presentation purposes we are using a calendar quarter and calendar year end convention. Our fiscal year 1997 ended on December 28, 1997 and our fiscal year 1998 ended on January 3, 1999. The six month periods presented ended on June 28, 1998 and July 4, 1999.

RISK FACTORS

You should carefully consider the risks described below before buying shares in this offering. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be harmed, the trading price of our common stock could decline and you could lose all or part of your investment. You should also refer to other information contained in this prospectus, including our financial statements and related notes.

Our operating results are likely to fluctuate in future periods, which might lead to reduced prices for our stock.

Our annual or quarterly operating results are difficult to predict and are likely to fluctuate significantly in the future as a result of numerous factors, many of which are outside of our control. If our annual quarterly operating results do not meet the expectations of securities analysts and investors, the trading price of our stock could significantly decline. Factors

that could impact our operating results include:

- the rate, timing and volume of orders for the telecommunications infrastructure equipment we sell;
- the rate at which telecommunications carriers de-install their equipment;
- decreases in our selling prices due to competition in the secondary market;
- our ability to obtain products cost-effectively from original equipment manufacturers, or OEMs, distributors, carriers and other secondary sources of telecommunications equipment;
- our ability to provide equipment and service offerings on a timely basis to satisfy customer demand;
- variations in customer purchasing patterns due to seasonality and other factors;
- write-offs due to inventory defects or obsolescence;
- the sales cycle for equipment we sell, which can be relatively lengthy;
- delays in the commencement of our operations in new market segments and geographic regions;
- costs relating to possible acquisitions and integration of new businesses; and
- general economic conditions and economic conditions specific to the telecommunications industry.

Our business depends upon our ability to match third party de-installed equipment supply with carrier demand for this equipment and failure to do so could reduce our net revenue.

Our success depends on our continued ability to match the equipment needs of telecommunications carriers with the supply of de-installed equipment available in the secondary market. We depend upon maintaining business relationships with third parties who can provide us with de-installed equipment and information on available de-installed equipment. Failure to effectively manage these relationships and match the needs of our customers with available supply of de-installed equipment could damage our ability to generate net revenue. In the event carriers decrease the rate at which they de-install their networks, or choose not to de-install their networks at all, it would be more difficult for us to locate this equipment, which could negatively impact our net revenue.

A downturn in the telecommunications industry could reduce demand for our products.

We believe that a downturn in the telecommunications industry in general or decreased carrier operating performance could result in reduced sales to our existing customers and make it more difficult to attract new customers. Our business depends on the economic viability of telecommunications carriers, who, to remain competitive, may look for alternative ways to operate more efficiently, including reducing expenditures for, or delaying purchases of, additional equipment.

The market for supplying equipment to telecommunications carriers is competitive, and if we cannot compete effectively, our net revenue and gross margins might decline.

Competition among companies who supply equipment to telecommunications carriers is intense. If we are unable to compete effectively against our current or future competitors, we may have to lower our selling prices and may experience reduced gross margins and loss of market share, either of which could harm our business.

Competition is likely to increase as new companies enter this market, as current competitors expand their products and services or as our competitors

consolidate. Increased competition in the secondary market for telecommunications equipment could also heighten demand for the limited supply of de-installed equipment which would lead to increased prices for, and reduce the availability of, this equipment. Any increase in these prices could significantly impact our ability to maintain our gross margins. Any reduction in the availability of equipment could cause us to lose customers.

We currently face competition primarily from three sources: OEMs, distributors and secondary market dealers who sell new and de-installed telecommunications infrastructure equipment. Many of these competitors have longer operating histories, greater name recognition, more established customer relationships and significantly greater financial, technical or marketing resources than we do. These competitors are also likely to enjoy substantial competitive advantages over us, including the following:

- ability to devote greater resources to the development, promotion and sale of their equipment and related services and adopt more aggressive pricing policies than we can;
- ability to expand existing customer relationships and more effectively develop new customer relationships than we can, including securing long term purchase agreements;
- ability to leverage their customer relationships through volume purchasing contracts, and other means intended to discourage customers from purchasing products from us;
- ability to more rapidly adopt new or emerging technologies and increase the array of products offered to respond to changes in customer requirements;
- greater focus and expertise on specific manufacturers or product lines;
- ability to implement more effective electronic commerce solutions; and
- ability to form new alliances or business combinations to rapidly acquire significant market share.

We do not have many formal relationships with suppliers of telecommunications equipment and may not have access to adequate product supply.

Historically, over 70% of our annual net revenue has been generated from the sale of de-installed and refurbished telecommunications equipment. Typically, we do not have supply contracts

to obtain this equipment and are dependent on the de-installation of equipment by carriers to provide us with much of the equipment we sell. Our ability to buy de-installed equipment from carriers is dependent on our relationships with them. If we fail to develop and maintain these business relationships with carriers or they are unwilling to sell de-installed equipment to us, our ability to sell de-installed equipment will suffer.

Our customer base is concentrated and the loss of one or more of our key customers would harm our business.

Historically, a significant portion of our sales have been to relatively few customers. Sales to our ten largest customers accounted for 43.8% of our net revenue in 1998, 42.2% of our net revenue in 1997, and 35.4% of our net revenue in 1996. In the six months ended June 30, 1999, sales to our ten largest customers accounted for 32.4% of our net revenue. In the first six months of 1999, no single customer accounted for over 10% of our net revenue. In 1998, ALLTEL Corporation accounted for 10.2% of our net revenue, in 1997, Vodafone AirTouch plc accounted for 10.1% of our net revenue, and in 1996, ALLTEL Corporation accounted for 11.4% of our net revenue. In addition, substantially all of our sales are made on a purchase order basis, and no customer has entered into a long-term purchasing agreement with us. As a result, we cannot be certain that our current customers will continue to purchase from us. The

loss of, or any reduction in orders from, a significant customer would have a negative impact on our net revenue.

We may be forced to reduce the sales prices for the equipment we sell, which may impair our ability to maintain our gross margins.

In the future we expect to reduce prices in response to competition and to generate increased sales volume. If manufacturers reduce the prices of new telecommunications equipment we may be required to further reduce the price of the new, de-installed and refurbished equipment we sell. If we are forced to reduce our prices or are unable to shift the sales mix towards higher margin equipment sales, we will not be able to maintain current gross margins.

The market for de-installed telecommunications equipment is relatively new and it is unclear whether our equipment and service offerings and our business will achieve long-term market acceptance.

The market for de-installed telecommunications equipment is relatively new and evolving, and we are not certain that our potential customers will adopt and deploy de-installed telecommunications equipment in their networks. For example, with respect to de-installed equipment that includes a significant software component, potential customers may be unable to obtain a license or sublicense for the software. Even if they do purchase de-installed equipment, our potential customers may not choose to purchase de-installed equipment from us for a variety of reasons. Our customers may also redeploy their displaced equipment within their own networks which would eliminate their need for our equipment and service offerings. These internal solutions would also limit the supply of de-installed equipment available for us to purchase, which would limit the development of this market.

Our success depends on our ability to attract, develop and retain key management and sales personnel.

We depend on the performance of our executive officers and other key employees. The loss of any member of our senior management, in particular, Dan Firestone, our chief executive officer, or other key employees could negatively impact our ability to execute our business strategy. In addition, we depend on our sales professionals to serve customers in each of our markets. The loss of any of our sales professionals could significantly disrupt our relationships with our customers. We do not have "key person" life insurance policies on any of our employees except for Dan Firestone.

Our future success also depends on our ability to attract, retain and motivate highly skilled employees. Competition for employees in the telecommunications equipment industry is intense. Additionally, we depend on our ability to train and develop skilled sales people and an inability to do so would significantly harm our growth prospects and operating performance. We have experienced, and we expect to continue to experience difficulty in hiring and retaining highly skilled employees.

Our business may suffer if we are not successful in our efforts to keep up with a rapidly changing market.

The market for the equipment and services we sell is characterized by technological changes, evolving industry standards, changing customer needs and frequent new equipment and service introductions. Our future success in addressing the needs of our customers will depend, in part, on our ability to timely and cost-effectively:

- respond to emerging industry standards and other technological changes;
- develop our internal technical capabilities and expertise;

. broaden our equipment and service offerings; and
. adapt our services to new technologies as they emerge.

Our failure in any of these areas could harm our business. Moreover, any increased emphasis on software solutions as opposed to equipment solutions could limit the availability of de-installed equipment, decrease customer demand for the equipment we sell, or cause the equipment we sell to become obsolete.

The lifecycles of telecommunications infrastructure equipment may become shorter, which would decrease the supply of, and carrier demand for, de-installed equipment.

Our sales of de-installed and refurbished equipment depend upon carrier utilization of existing telecommunications network technology. If the lifecycle of equipment comprising carrier networks is significantly shortened for any reason, including technology advancements, the installed base of any particular model would be limited. This limited installed base would reduce the supply of, and demand for, de-installed and refurbished equipment which could decrease our net revenue.

Many of our customers are telecommunications carriers that may at any time reduce or discontinue their purchases of the equipment we sell to them.

If our customers choose to defer or curtail their capital spending programs, it could have a negative impact on our sales to those telecommunications carriers, which would harm our business.

A significant portion of our customers are emerging telecommunications carriers who compete against existing telephone companies. These new participants only recently began to enter these markets, and many of these carriers are still building their networks and rolling out their services. They require substantial capital for the development, construction and expansion of their networks and the introduction of their services. If emerging carriers fail to acquire and retain customers or are unsuccessful in raising needed funds or responding to any other trends, such as price reductions for their services or diminished demand for telecommunications services in general, then they could be forced to reduce their capital spending programs.

If we fail to implement our strategy of purchasing equipment from and selling equipment to regional bell operating companies, our growth will suffer.

One of our strategies is to develop and expand our relationships with regional bell operating companies, or RBOCs. We believe the RBOCs could provide us with a significant source of additional net revenue. In addition, we believe the RBOCs could provide us with a large supply of de-installed equipment. We cannot assure you that we will be successful in implementing this strategy. RBOCs may not choose to sell de-installed equipment to us or may not elect to purchase this equipment from us. RBOCs may instead develop those capabilities internally or elect to compete with us and resell de-installed equipment to our customers or prospective customers. If we fail to successfully develop our relationships with RBOCs or if RBOCs elect to compete with us, our growth could suffer.

We may be exposed to risks associated with international expansion.

We intend to continue expanding our business in international markets. This expansion will require significant management attention and financial resources to develop a successful international business, including sales, procurement and support channels. We may not be able to maintain or increase international market demand for the equipment we sell, and therefore we might not be able to

expand our international operations. We currently have limited experience providing equipment outside the United States. Conducting business outside of the United States involves risks, including:

- recruiting skilled sales and technical support personnel;
- creation of new supply and customer relationships;
- difficulties and costs of managing and staffing international operations;
- developing relationships with local suppliers;
- longer collection periods for accounts receivables and greater credit risks regarding new customers;
- fluctuations in currency exchange rates;
- changes in a specific country's or region's political or economic conditions; and
- difficulties in timely delivery of equipment to, and maintenance of inventory in, international locations.

We cannot be certain that one or more of these factors will not harm our future international operations.

We may fail to engage in selective acquisitions or may be subject to risks associated with acquisitions which could harm our business.

One of our strategies for growth is to engage in selective acquisitions. In the event we fail to identify or take advantage of these opportunities, we may experience difficulties in growing our business. If we make acquisitions, we could have difficulty assimilating or retaining the acquired companies' personnel or integrating their operations, equipment or services into our organization. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. Moreover, our profitability may suffer because of acquisition-related costs or amortization of acquired goodwill and other intangible assets. Furthermore, we may have to incur debt or issue equity securities in any future acquisitions. The issuance of equity securities would be dilutive to our existing stockholders.

Failure to manage our rapid growth effectively could harm our results of operations.

Since we began commercial operations in July 1995, we have experienced rapid growth and expansion that is straining our resources. In the twelve months ended June 30, 1999, the number of our employees increased from 67 to 120. Continued growth could place a further strain on our management, operational and financial resources. Our inability to manage growth effectively could harm our business. We are in the process of upgrading our internal control and information systems. We may not be able to install adequate control systems in an efficient and timely manner, and our current or planned operational systems, procedures and controls may not be adequate to support our future operations. Delays in the implementation of new systems or operational disruptions when we transition to new systems would impair our ability to accurately forecast sales demand, manage our equipment inventory and record and report financial and management information on a timely and accurate basis.

Several key members of our management team have only recently joined us and if they are not successfully integrated into our business or fail to work together as a management team, our business will suffer.

Several key members of our management team have joined us since May 1, 1999, including Gary Owen, our chief financial officer and Jeffrey Miller, our executive vice president of sales and marketing. Additionally, we intend to hire other key personnel, including a vice president of operations. If we cannot effectively integrate these employees into our business, or if they cannot work together as a management team to enable us to implement our

business strategy, our business will suffer.

Defects in the equipment we sell may seriously harm our credibility and our business.

Telecommunications carriers require a strict level of quality and reliability from telecommunications equipment suppliers. Telecommunications equipment is inherently complex and can contain undetected software or hardware errors. If we deliver telecommunications equipment with undetected material defects, our reputation, credibility and equipment sales could suffer. Moreover, because the equipment we sell is integrated into our customers' networks, it can be difficult to identify the source of a problem should one occur. The occurrence of such defects, errors or failures could also result in delays in installation, product returns, product liability and warranty

claims and other losses to us or our customers. In some of our contracts, we have agreed to indemnify our customers against liabilities arising from defects in the equipment we sell to them. Furthermore, we supply most of our customers with guarantees that cover the equipment we offer. While we may carry insurance policies covering these possible liabilities, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim, whether successful or not, could be costly, damage our reputation and distract key personnel, any of which could harm our business.

Our strategy to outsource services could impair our ability to deliver our equipment on a timely basis.

Currently, we depend on third parties for a variety of equipment-related services, including engineering, repair, transportation, testing, installation and de-installation. This outsourcing strategy involves risks to our business, including reduced control over delivery schedules, quality and costs and the potential absence of adequate capacity. In the event that any significant subcontractor were to become unable or unwilling to continue to perform their required services, we would have to identify and qualify acceptable replacements. This process could be lengthy, and we cannot be sure that additional sources of third party services would be available to us on a timely basis, or at all.

Our quarterly net revenue may be subject to fluctuations due to the seasonal purchasing patterns of our customers.

Our quarterly net revenue may be subject to the seasonal purchasing patterns of our customers. We expect that net revenue in the third quarter of each year may be lower than that of the second quarter of that year. For example, our net revenue decreased in the quarter ended June 30, 1999 compared to our net revenue for the quarter ended March 31, 1999. We believe this trend may occur as a result of our customers' annual budgetary, procurement and sales cycles.

Our business could be harmed if we are unable to manage our inventory needs accurately.

To meet customer demand in the future, we believe it is necessary to maintain or increase some levels of inventory. Failure to maintain adequate inventory levels in these products could hurt our ability to make sales to our customers. In the past, we have experienced inventory shortfalls, and we cannot be certain that we will not experience shortfalls again in the future, which could harm our reputation and our business. Further, rapid technology advancement could make our existing inventory obsolete and cause us to incur losses. In addition, if our forecasts lead to an accumulation of inventories that are not sold in a timely manner, our business could suffer.

Our failure and the failure of our suppliers and customers to be year 2000 compliant could harm our business.

Many currently installed computer systems and software products are not capable of distinguishing 21st century dates from 20th century dates. As a result, beginning on January 1, 2000, computer systems and software used by many companies and organizations in a wide variety of industries, including telecommunications technology, transportation, utilities and finance, could likely produce erroneous results or fail unless they have been modified or upgraded to process date

information correctly. In addition, we face the possibility that the equipment we sell will fail due to processing errors caused by inaccurate calculations with respect to the year 2000. Year 2000 compliance efforts may involve significant time and expense, and uncorrected problems could harm our business.

The corruption or interruption of key software systems we use could cause our business to suffer.

We rely on the integrity of key software and systems. Specifically we rely on our relationship management database which tracks information on current excess and de-installed equipment. This software and these systems may be vulnerable to harmful applications, computer viruses and other forms of corruption and interruption. In the event our software or systems are affected by any form of corruption or interruption, it could delay or restrict our ability to meet our customers' needs, which could harm our reputation or business.

We might need additional capital in the future, and additional financing might not be available.

We currently anticipate that our available cash resources, combined with the net proceeds from this offering and financing available under our revolving loan facility, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. However, our resources may not be sufficient to satisfy these requirements. We may need to raise additional funds through public or private debt or equity financings to:

- take advantage of business opportunities, including more rapid international expansion or acquisitions of complementary businesses;
- develop and maintain higher inventory levels;
- gain access to new product lines;
- develop new services; or
- respond to competitive pressures.

Any additional financing we may need might not be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our business could suffer. Moreover, if additional funds are raised through the issuance of equity securities, the percentage of ownership of our current stockholders will be reduced. Newly issued equity securities may have rights, preferences and privileges senior to those of investors in our common stock. In addition, the terms of any debt could impose restrictions on our operations.

Our facilities could be vulnerable to damage from earthquakes and other natural disasters.

Our facilities are located on or near known earthquake fault zones and are vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures and similar events. If a disaster occurs, our ability to test and ship the equipment we sell would be seriously, if not completely, impaired, and our inventory could be damaged or destroyed, which

would seriously harm our business. We cannot be sure that the insurance we maintain against fires, floods, earthquakes and general business interruptions will be adequate to cover our losses in any particular case.

You might not be able to sell your stock if an active public market does not develop for our stock.

Prior to this offering, you could not buy or sell our common stock publicly. An active public market for our common stock may not develop or be sustained after the offering. If a market for our common stock does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at a price that is attractive to you, or at all. The initial public offering price of the common stock will be determined through negotiations between the representatives of the underwriters and us and may not be representative of the price that will prevail in the open market.

The price of our common stock may be volatile and subject to wide fluctuations.

The trading price of our common stock may be volatile. The stock prices of technology and telecommunications-related companies have experienced extreme volatility that often has been unrelated to the operating performance of these particular companies. Fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance. In addition, you may not be able to resell your shares at or above the initial public offering price due to a number of factors, including:

- our ability to meet growth, revenue and earnings expectations;
- industry announcements regarding technological innovations or strategic relationships; and
- conditions affecting the telecommunications industry generally.

Provisions in our charter documents might deter acquisition bids for us.

There are provisions in our charter documents and other provisions under Delaware law that could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. We have adopted a staggered board of directors and our stockholders are unable to:

- call special meetings of stockholders;
- act by written consent;
- remove any director or the entire board of directors without cause; or
- fill any vacancy on the board of directors.

In addition, our stockholders must meet advance notice requirements for stockholder proposals. Our board of directors may also issue preferred stock without any vote or further action by the stockholders.

Our officers and directors exert substantial influence over us.

We anticipate that our executive officers, our directors and entities affiliated with them will beneficially own an aggregate of approximately % of our outstanding common stock following the completion of this offering. As a result, these stockholders will be able to exercise substantial influence over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in our control.

Management could invest or spend the proceeds of this offering not being used to repay debt in ways with which the stockholders might not agree.

We intend to use a significant portion of the net proceeds of this offering to repay our debt rather than build our business. In addition, we have no specific allocations for any other net proceeds of this offering that are not being used to repay debt other than a portion for capital expenditures. Consequently, management will retain a significant amount of discretion over the application of these proceeds. Because of the number and variability of factors that will determine or use of these proceeds, how we spend the proceeds may vary substantially from our current intentions.

You will incur immediate and substantial dilution.

The initial public offering price is substantially higher than the pro-forma net tangible book value (deficit) per share of the outstanding common stock. As a result, investors purchasing common stock in this offering will incur immediate and substantial dilution in the amount of $ per share. Investors will incur additional dilution upon the exercise of outstanding stock options and warrants. See "Dilution."

USE OF PROCEEDS

We estimate the net proceeds from the offering to be approximately $, or $ if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of $ per share and after deducting the underwriting discount and estimated offering expenses.

We intend to use $50 million of the proceeds from the offering to repay the entire outstanding amount of our term loan facility. We also intend to use a portion of the proceeds to repay the entire outstanding amount drawn under our revolving loan facility, which is approximately $6.5 million as of September 1, 1999. These loans provide for various interest rates and have a maturity date of August 31, 2004. For additional information please see "Management's Discussion and Analysis of Financial Condition and Results of Operation--Liquidity and Capital Resources." The proceeds from our term loan facility were used to make a distribution to our members of $48.5 million in September 1999. We may use a portion of the proceeds for capital expenditures and expect to use the remaining proceeds for general corporate purposes, including working capital. As of the date of this prospectus, we cannot specify the particular uses for the general corporate purposes of our proceeds. Accordingly, our management will have broad discretion in the application of the net proceeds.

We intend to invest the remainder of the net proceeds in short-term, interest bearing, investment grade marketable securities.

DIVIDEND POLICY

While we do not plan to pay dividends, any future determination to pay dividends will be at the discretion of the board of directors and will depend upon our financial condition, operating results, capital requirements and other factors the board of directors deems relevant. We plan to retain earnings for use in the operation of our business and to fund future growth.

From July 1995 to September 1999, we operated in the form of a limited liability company and income was taxed directly to our equity members. During this time, we made regular quarterly distributions to the holders of our units based on our funds available for distribution. In 1996, we made quarterly distributions in an annual aggregate amount of $0.06 per unit to our members. In 1997, we made quarterly distributions in an annual aggregate amount of $0.20

per unit to our members. In 1998, we made quarterly distributions in an annual aggregate amount of $0.43 per unit to our members. In the period beginning January 1, 1999 through September, 1999, which includes the distribution of the proceeds of our term loan facility, we made quarterly distributions in an aggregate amount of $1.68 per unit to our members. See "Certain Transactions" for additional information regarding this term loan facility.

CAPITALIZATION

The following table sets forth our short-term debt and capitalization as of June 30, 1999. Our capitalization is presented:

- on an actual basis;
- on a pro forma basis to reflect:
  - the distribution to members of approximately $6.5 million in July 1999;
  - the receipt of the proceeds of $50 million from a term loan made by a syndicate of financial institutions led by Fleet National Bank and the payment of $750,000 of bank fees associated with the facility;
  - the distribution to members of $48.5 million upon receipt of proceeds of the term loan;
  - the repayment of an aggregate principal amount of $3.5 million to note holders in September 1999; and
  - the creation of a deferred tax asset of approximately $17.0 million as a result of the change in tax status from a limited liability company to a "C" corporation.
- on a pro forma as adjusted basis to reflect:
  - the sale of shares of common stock at an initial public offering price of $ per share in this offering, less underwriting discounts and commissions and estimated offering expenses; and
  - the application of the net proceeds by us from the offering, including the repayment of the $50 million term loan from a syndicate of financial institutions led by Fleet National Bank.

Please read the capitalization table together with the sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this prospectus.

<TABLE>
<CAPTION>

	June 30, 1999		
	Actual	Pro-forma	Pro-forma As Adjusted
	(in thousands, except per share data)		
<S>	<C>	<C>	<C>
Borrowing under revolving credit facility.....	$ 779	$ 9,363	--
Other short-term debt	1,679	179	
Total short-term debt.....	2,458	9,542	
Notes payable--net of current portion.....	1,957	--	--
Capital lease obligations.....	541	541	

Term loan facility.....	--	$ 49,250	--
Mandatorily redeemable Class B units; 14,070 units actual, no units pro-forma and pro-forma as adjusted:.....	51,750	--	--
Members' deficit/stockholders' equity (deficit):			
Class A 23,993 units actual, no units pro-forma and pro-forma as adjusted.....	(49,793)	--	
Class B.....	7,028	--	
Common stock, $0.001 par value; Authorized 200,000 shares; issued 38,603 shares			
pro-forma and shares pro-forma as adjusted.....	--	38	
Additional paid in capital	--	69,435	
Accumulated deficit.....	--	(98,347)	
Total members' deficit/stockholders' equity (deficit).....	(42,765)	(28,874)	
Total capitalization.....	$ 11,483	$ 20,917	

</TABLE>

We expect there to be shares outstanding after the offering. In addition to the shares of common stock to be outstanding after the offering, we may issue additional shares of common stock under the following plans and arrangements:

- 6,750,000 shares issuable under our 1999 Stock Option Plan, consisting of:
  - 1,490,093 Somera Communications, LLC units underlying outstanding options at a weighted average exercise price of $8.09 per share, none of which were exercisable as of August 31, 1999, and which will be converted into options to purchase an equivalent number of shares under our 1999 Stock Option Plan; and
  - 5,259,907 shares available for future grants;
- 207,655 Somera Communications, LLC units issuable upon exercise of outstanding warrants at a weighted average exercise price of $8.07 per share, which were fully exercisable as of August 31, 1999, and which will be converted into warrants exercisable for an equivalent number of shares of our common stock;
- 300,000 shares available for issuance under our 1999 Employee Stock Purchase Plan; and
- 300,000 shares available for issuance under our 1999 Director Option Plan.

DILUTION

Our pro-forma net tangible book value (deficit) as of June 30, 1999 was ($28.9) million or ($0.76) per share. Pro-forma net tangible book value

(deficit) per share is determined by dividing the pro-forma number of 38,062,500 outstanding shares of common stock into our pro-forma (deficit), which is our pro-forma total tangible assets less total liabilities. After giving effect to the receipt of the estimated net proceeds from this offering, based upon an assumed initial public offering price of $ per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses, our pro-forma as adjusted net tangible book value (deficit) as of June 30, 1999 would have been approximately $ million, or $ per share. This represents an immediate increase in pro-forma net tangible book value (deficit) of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares at an assumed initial public offering price of $ per share, initial public offering price. The following table illustrates the per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price per share.....		$
Pro-forma net tangible book value (deficit) per share as of June 30, 1999.....	$(0.76)	
Increase per share attributable to new investors.....		
Pro-forma net tangible book value (deficit) per share after offering.....		
Dilution per share to new investors.....		$

</TABLE>

The following table summarizes as of June 30, 1999, on the pro-forma basis described above, the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by new investors before deducting the estimated underwriting discounts and commissions and estimated offering expenses:

<TABLE>
<CAPTION>

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....		%	$	%	$
New investors.....					
Total.....		100%	$	100%	$

</TABLE>

We expect to have shares outstanding after the offering. In addition to the shares of common stock to be outstanding after the offering, we may issue additional shares of common stock under the following plans and arrangements:

- 6,750,000 shares issuable under our 1999 Stock Option Plan, consisting of:
  - 1,490,093 Somera Communications, LLC units underlying outstanding options at a weighted average exercise price of $8.09 per share, none of which were exercisable as of August 31, 1999, and which will be converted into options to purchase an equivalent number of shares under our 1999 Stock Option Plan; and
  - 5,259,907 shares available for future grants;

- 207,655 Somera Communications, LLC units issuable upon exercise of outstanding warrants at a weighted average exercise price of $8.07 per share, which were fully exercisable as of August 31, 1999, and which will be converted into warrants exercisable for an equivalent number of shares of our common stock;

- 300,000 shares available for issuance under our 1999 Employee Stock Purchase Plan; and

- 300,000 shares available for issuance under our 1999 Director Option Plan.

To the extent that any of these options or warrants are exercised or shares are issued, there will be further dilution to new investors.

SELECTED FINANCIAL DATA

You should read the following selected financial data with our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The statements of operations for the years ended December 31, 1996, 1997 and 1998, and the six months ended June 30, 1999, and the balance sheet data at December 31, 1997, and 1998, and June 30, 1999, are derived from our financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, included elsewhere in this prospectus. The statement of operations for the six months ended June 30, 1998 is derived from our unaudited financial statements included elsewhere in this prospectus. The balance sheet data at December 31, 1996 is derived from our audited financial statements that are not included in this prospectus. The unaudited financial statements have been prepared on substantially the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the balance sheet and results of operations for the period. Historical results are not necessarily indicative of the results to be expected in the future, and results of interim periods are not necessarily indicative of results for the entire year.

<TABLE>
<CAPTION>

	Years Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
				(unaudited)	
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statements of Operations:					
Net revenue	$10,149	$34,603	$72,186	$34,417	$52,834
Cost of net revenue	5,532	20,587	43,132	21,037	34,023
Gross profit	4,617	14,016	29,054	13,380	18,811
Operating expenses:					
Sales and marketing	780	2,593	5,747	2,394	4,385
General and administrative	696	1,648	3,939	1,326	2,999
Stock-based compensation	--	--	--	--	193
Total operating expenses	1,476	4,241	9,686	3,720	7,577

Income from operations.....	3,141	9,775	19,368	9,660	11,234
Interest expense, net.....	18	82	187	75	144
Net income.....	$ 3,123	$ 9,693	$19,181	$ 9,585	$11,090
Pro-forma net income per share--basic(1).....	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average shares--basic.....	37,500	38,052	38,063	38,063	38,063
Pro-forma net income per share--diluted(1).....	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average shares--diluted.....	37,500	38,052	38,063	38,063	38,069

</TABLE>

(1) See note 2 of Notes to the financial statements for an explanation of the calculation of net income per unit--basic and diluted. Net income per share--basic and diluted has been stated above assuming a one for one exchange of the units of Somera Communications, LLC for shares of our common stock.

<TABLE>
<CAPTION>

	December 31,			June 30,
	1996	1997	1998	1999
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Balance Sheet Data:				
Working capital.....	$1,797	$4,602	$ 9,482	$ 9,975
Total assets.....	3,882	9,281	17,009	27,202
Notes payable--net of current portion.....	662	957	3,457	1,957
Mandatorily redeemable Class B units.....	--	--	51,750	51,750
Capital lease obligation--net of current portion.....	--	--	--	541
Members' capital (deficit).....	1,251	3,787	(45,136)	(42,765)

</TABLE>

Commencing with 1997 our fiscal years are on a 52 and 53 week basis. For presentation purposes we are using a calendar quarter and calendar year end convention. Our fiscal years 1997 and 1998 ended on December 28, 1997 and January 3, 1999. The six month periods presented ended on June 28, 1998 and July 4, 1999.

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

The following discussion of financial condition and results of operations should be read in conjunction with the financial statements and related notes appearing elsewhere in this prospectus. Our actual results could differ materially from the results contemplated by these forward-looking statements as a result of factors, including those discussed previously, under "Risk Factors" or in other parts of in this prospectus.

Overview

We provide telecommunications carriers with a broad range of infrastructure equipment and related services designed to meet their specific and changing equipment needs. We generate revenue from sales of new, de-installed and refurbished telecommunications infrastructure equipment. Our customers include incumbent local exchange carriers, or ILECs, long distance carriers, or IXCs, wireless carriers and competitive local exchange carriers, or CLECs. We do not manufacture any of the equipment we sell.

We purchase de-installed and refurbished equipment primarily from telecommunications carriers, many of whom are also our customers. We purchase the new equipment we sell primarily from OEMs and distributors. By using our relationship management database to track carriers' excess and de-installed equipment we are able to offer our customers a broad range of equipment. We generally have not entered into long-term contracts or distribution arrangements with our suppliers, and if we fail to develop and maintain our relationships with our suppliers, our business will suffer.

Historically, over 70% of our annual net revenue has been generated from the sale of de-installed and refurbished equipment. We market and sell this equipment through our industry focused sales teams. A majority of our sales to date have been to customers located in the United States. Sales to customers outside of the United States accounted for 13.4% of our net revenue in the six months ended June 30, 1999, 19.7% of our net revenue in 1998, 16.5% of our net revenue in 1997 and 6.8% of our net revenue in 1996. We expect sales to carriers in the United States to continue to account for the majority of our net revenue for the foreseeable future. Currently, all of our equipment sales are denominated in U.S. dollars.

In the first six months of 1999, no single customer accounted for more than 10% of our net revenue. In 1998, ALLTEL Corporation accounted for 10.2% of our net revenue, in 1997, Vodafone AirTouch plc accounted for 10.1% of our net revenue and in 1996, ALLTEL Corporation accounted for 11.4% of our net revenue. In the six months ended June 30, 1999, Vodafone AirTouch plc accounted for 11.0% of our equipment purchases. In 1998, 1997 and 1996, no suppliers accounted for more than 10% of our equipment purchases.

Substantially all of our sales are made on the basis of purchase orders rather than long-term agreements. As a result, we may commit resources to the procurement and testing of products without having received advance purchase commitments from customers. We anticipate that our operating results for any given period will continue to be dependent, to a significant extent, on purchase orders. These purchase orders can be delayed or cancelled by our customers without penalty. Additionally, as telecommunications equipment supplier competition increases, we may need

to lower our selling prices or pay more for the equipment we procure. Consequently, our gross margins may decrease over time. We generally recognize revenue, net of estimated provisions for returns and warranty obligations where significant, when we ship equipment to our customers.

The market for telecommunications equipment is characterized by intense competition. We believe that our ability to remain competitive depends on enhancing the existing service levels we provide to our customers, acquiring access to a broader selection of equipment, developing new customer relationships and expanding our existing customer penetration levels. Failure to accomplish these goals could harm our growth prospects and operating results.

Corporate History

We were organized as a California limited liability company, or LLC, and commenced operations in July 1995. In July 1998, we undertook a recapitalization in which outside investors purchased Class B units representing approximately 37.0% of Somera Communications, LLC for $51.8 million. These Class B units have significant rights and preferences over our Class A units, including liquidation preferences, redemption rights under specific circumstances at the option of the holder, and the right of one of those Class B investors to elect two members to the board of managers of Somera Communications, LLC. These rights will lapse upon the exchange of the outstanding limited liability company units for our common stock. We used all of the proceeds from the sale of the Class B units to repurchase a portion of the outstanding units from a number of our initial unit holders.

In August 1999, we entered into a credit agreement with a syndicate of financial institutions led by Fleet National Bank. The credit facility consists of a term loan facility for $50 million and a revolving loan facility for up to $15 million. As of September 1, 1999, $50 million in principal was outstanding under the term loan. Of this $50 million, $48.5 million had been distributed to the unit holders of Somera Communications, LLC, who will become our stockholders after the exchange of their units prior to this offering. As of September 1, 1999, $6.5 million had been drawn under the revolving loan facility. For more information on the Fleet National Bank credit facility, please see "Certain Transactions."

Prior to the consummation of this offering, we will exchange shares of our common stock for all of the outstanding units of Somera Communications, LLC and subsequently assume the operations, assets and liabilities of the limited liability company.

Results of Operations

Six Months Ended June 30, 1999 and 1998

Net Revenue. Net revenue consists of sales of new, de-installed and refurbished telecommunications equipment, including switching, transmission, access, wireless, microwave and power products. Net revenue increased to $52.8 million in the six months ended June 30, 1999 from $34.4 million in the six months ended June 30, 1998. The increase in net revenue was driven by greater customer demand for our equipment in general. Our expansion in United States markets and growth in significant customer accounts.

Cost of Net Revenue. Substantially all of our cost of net revenue consists of the costs of the equipment we purchase from third party sources. Cost of net revenue increased to $34.0 million in the six months ended June 30, 1999 from $21.0 million in the six months ended June 30, 1998. The increase in cost of net revenue during this period is primarily attributable to increases in our volume of new and de-installed equipment sales. Gross profit as a percentage of net revenue, or gross margin, declined to 35.6% in the six months ended June 30, 1999 from 38.9% in the six months ended June 30, 1998. The decline in gross margins was primarily due to an increase in the proportion of new equipment we sold, which generally has lower gross margins than de-installed and refurbished equipment, fluctuations in the prices of a number of our purchase transactions, and increased competition in the procurement of de-installed equipment generally.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions and benefits for sales, marketing and procurement employees as well as costs associated with advertising and promotions. A majority of our sales and marketing expenses are incurred in connection with establishing and maintaining long-term relationships with a variety of carriers. Sales and marketing expenses increased to $4.4 million in the six

months ended June 30, 1999 from $2.4 million in the six months ended June 30, 1998. This increase was due to higher absolute commission expenses consistent with increased gross profit upon which our sales commissions are based, as well as the hiring of additional sales and procurement personnel, including a new executive vice president of sales and marketing. We expect that our sales and marketing expenses will continue to increase as we expand our product and service offerings, increase our hiring of additional sales personnel and pay commissions consistent with increased gross profit, although such expenses may vary as a percentage of net revenue.

General and Administrative. General and administrative expenses consist principally of salary and benefit costs for executive and administrative personnel, as well as legal, accounting and other professional fees. General and administrative expenses increased to $3.0 million in the six months ended June 30, 1999 from $1.3 million in the six months ended June 30, 1998. This increase was due primarily to the increase in employees resulting from the expansion of our operations, as well as recruitment costs. We expect that general and administrative expenses will increase in the future as we expand our operations, although such expenses may vary as a percentage of net revenue.

Stock-based Compensation. The stock-based compensation charge relates to a warrant for common stock granted in exchange for services in the six months ended June 30, 1999. This warrant, which entitles the holder to purchase 95,155 shares of common stock, is fully vested and resulted in a one-time charge of approximately $193,000 in the six months ended June 30, 1999. There was no stock-based compensation charge in the six months ended June 30, 1998. In July 1999, we issued stock options to two officers and one outside director resulting in unearned stock-based compensation of $830,000 which will be recorded and amortized over the vesting period, generally four years of the underlying options. The charge will be amortized to net income as follows: $244,000 for the remainder of 1999, $367,000 in 2000, $148,000 in 2001, $63,000 in 2002 and $8,000 in 2003. We also issued a warrant to purchase 112,500 shares of common stock in exchange for services. The warrants were immediately vested and will result in a one-time charge of $337,000 to be recorded in our 1999 third quarter results.

Interest Expense, Net. Interest expense, net consists of interest expense associated with debt obligations offset by interest income earned on cash and cash equivalent balances. Interest expense, net increased to $144,000 in the six months ended June 30, 1999 from $75,000 in the six months ended June 30, 1998. This increase was due to a higher level of outstanding principal to satisfy greater working capital needs.

Years Ended 1998, 1997 and 1996

Net Revenue. Net revenue increased to $72.2 million in 1998 from $34.6 million in 1997 and $10.1 million in 1996. The increase in net revenue from 1997 to 1998 was due to significant increases of sales in both the United States and Latin American markets, an increase in sales of new equipment and the growth of several customer accounts. The increase in net revenue from 1996 to 1997 was primarily due to significant increases in sales of de-installed equipment.

Cost of Net Revenue. Cost of net revenue increased to $43.1 million in 1998 from $20.6 million in 1997 and $5.5 million in 1996. Substantially all of the increase in cost of net revenue for each of these periods was due to the increase in procurement costs associated with increased sales of this equipment. The gross margin decreased to 40.2% in 1998, from 40.5% in 1997 and 45.5% in 1996. The relatively stable gross margin levels between 1998 and 1997 were due to increased volumes of sales of higher margin refurbished equipment in 1998, offsetting an increased portion of lower margin new equipment sales in

the same period. The decrease in gross margin in 1997 and 1996 was due to a change in sales mix to include more new equipment which has lower gross margins than de-installed and refurbished equipment, and an increase in the cost of procuring de-installed equipment due to greater secondary market competition.

Sales and Marketing. Sales and marketing expenses increased to $5.7 million in 1998 from $2.6 million in 1997 and $780,000 in 1996. The increases for each of these periods were primarily due to the addition of sales and procurement personnel, including sales managers, higher absolute commission expenses consistent with increased gross profit and increased marketing efforts.

General and Administrative. General and administrative expenses increased to $3.9 million in 1998 from $1.6 million in 1997 and $696,000 in 1996. The increase from 1998 compared with 1997 was due to a significant increase in headcount resulting from the expansion of our operations, and due to approximately $700,000 in financing costs attributable to our recapitalization in July 1998. The increase from 1997 compared with 1996 was due primarily to the increase in salaries and benefits payable to executive and administrative employees resulting from the expansion of our operations.

Interest Expense, Net. Interest expense, net increased to $187,000 in 1998, from $82,000 in 1997, and $18,000 in 1996. The increases for those periods were due to higher borrowing levels necessary to fund our working capital requirements.

Quarterly Results of Operations

The following tables set forth unaudited statement of operations data for each of the eight quarters in the period ending June 30, 1999, as well as the percentage of our net revenue represented by each item. In our opinion, this unaudited information has been prepared on the same basis as the annual financial statements. This information includes all adjustments (consisting only of normal recurring adjustments) necessary for fair presentation when read in conjunction with the financial statements and related notes included elsewhere in this prospectus. The operating results for any quarter are not necessarily indicative of results for any future period.

<TABLE>
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	Quarter Ended							
	Sept. 30, 1997	Dec. 31, 1997	March 31, 1998	June 30, 1998	Sept. 30, 1998	Dec, 31, 1998	March 31, 1999	June 30, 1999
	(in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:								
Net revenue.....	$8,247	$12,257	$14,258	$20,159	$16,854	$20,915	$23,248	$29,586
Cost of net revenue.....	4,847	7,478	8,688	12,349	9,853	12,242	14,609	19,414
Gross profit.....	3,400	4,779	5,570	7,810	7,001	8,673	8,639	10,172
Operating expenses:								
Sales and marketing...	680	864	990	1,404	1,500	1,853	1,967	2,418
General and administrative.....	389	543	525	801	1,597	1,016	1,420	1,579
Stock-based compensation.....	--	--	--	--	--	--	--	193
Total operating								

expenses.....	1,069	1,407	1,515	2,205	3,097	2,869	3,387	4,190
Income from operations..	2,331	3,372	4,055	5,605	3,904	5,804	5,252	5,982
Interest expense, net...	20	18	18	57	42	70	59	85
Net income.....	$2,311	$ 3,354	$ 4,037	$ 5,548	$ 3,862	$ 5,734	$ 5,193	$ 5,897
As a Percentage of Net Revenue:								
Net revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of net revenue.....	58.8	61.0	60.9	61.3	58.5	58.5	62.8	65.6
Gross profit.....	41.2	39.0	39.1	38.7	41.5	41.5	37.2	34.4
Operating expenses:								
Sales and marketing...	8.2	7.1	7.0	6.9	8.9	8.9	8.5	8.2
General and administrative.....	4.7	4.4	3.7	4.0	9.4	4.8	6.1	5.3
Stock-based compensation.....	--	--	--	--	--	--	--	0.7
Total operating expenses.....	12.9	11.5	10.7	10.9	18.3	13.7	14.6	14.2
Income from operations..	28.3	27.5	28.4	27.8	23.2	27.8	22.6	20.2
Interest expense, net...	0.3	0.1	0.1	0.3	0.3	0.4	0.3	0.3
Net income.....	28.0%	27.4%	28.3%	27.5%	22.9%	27.4%	22.3%	19.9%

</TABLE>

Our net revenue increased in each quarter compared to the same quarter in the prior year due primarily to increased levels of customer demand for the equipment we sell in general. Our gross margins declined over the period from 41.2% in the quarter ended September 30, 1997 to 34.4% in the quarter ended June 30, 1999 due largely to an increase in our percentage of sales of new products which have lower gross margins than de-installed and refurbished products. Sales and marketing expenses have increased in absolute dollars for every quarter since September 30, 1997 reflecting greater commissions paid on increased gross profit, the addition of sales personnel and intensified marketing efforts. General and administrative expenses increased almost every quarter due to the increase in personnel costs and professional fees required to support our growth. In the quarter ended September 30, 1998, general and administrative expenses included approximately $700,000 in costs associated with the July 1998 recapitalization.

Historically, our net revenue and results of operations have been subject to significant fluctuations, particularly on a quarterly basis, and could fluctuate significantly from quarter to quarter and from year to year in the future. Causes of such fluctuations may include the rate and timing of customers' orders for the equipment we sell, the rate at which telecommunications carriers de-install equipment, decreases in the prices of the equipment we sell due to increased secondary market competition, our ability to locate and obtain equipment, our ability to deploy equipment on a timely basis, seasonal variations in customer purchasing, write-offs due to inventory defects and obsolescence, the potentially long sales cycle for our equipment, delays in the commencement of operations in new markets, costs relating to possible acquisitions, and general economic conditions and conditions specific to the telecommunications industry. Historically, we have seen that our net revenue is subject to seasonal fluctuations because our

customers typically purchase less telecommunications equipment during the third calendar quarter of each year due to the annual nature of budgetary, procurement and sales cycles. Significant quarterly fluctuations in our net revenue will cause significant fluctuations in our cash flows and working capital.

Liquidity and Capital Resources

Since inception in July 1995, we have financed our operations primarily through cash flows from operations. Net cash generated by operating activities was $7.0 million in the first six months of 1999, $14.9 million in 1998, $8.0 million in 1997 and $1.8 million in 1996. Substantially all of the cash generated by operating activities was distributed to the members of Somera Communications, LLC. In July 1998, we used $51.8 million from the sale of Class B units to outside investors to repurchase outstanding units from a number of our initial unit holders.

As of June 30, 1999, we had approximately $482,000 in cash and cash equivalents. In addition, we had a credit facility to borrow up to $17.0 million. As of June 30, 1999, we had an outstanding book balance under this line of credit of $779,000. This line of credit was subsequently replaced by our Fleet National Bank credit facility.

On August 31, 1999, we entered into a credit agreement with a syndicate of financial institutions led by Fleet National Bank. The credit agreement provides for a term loan facility and a revolving loan facility. The term loan facility was for an aggregate principal amount of $50 million. The revolving loan facility allows us to borrow $15 million, with a $5 million sublimit for the issuance of letters of credit. The obligations under the term loan facility and the revolving loan facility are secured by a first priority lien on all our tangible and intangible assets. We may prepay loans under the term loan facility and revolving loan facility at any time upon prior notice to the lenders. As of

September 1, 1999, $50 million was outstanding under the term loan facility and $6.5 million had been drawn under the revolving loan facility. The proceeds of our term loan facility were used to make a distribution to the members of Somera Communications, LLC of $48.5 million in September 1999 and the remaining $1.5 million was used to pay off a portion of outstanding balances on notes payable. Additionally, approximately $1.5 million of our revolving loan facility was used to pay off the current portion of the notes payable. The remaining amount of notes payable, approximately $500,000 was satisfied from available cash. Subject to certain voluntary or mandatory reductions by the Company of the revolving loan facility commitment, the revolving loan facility will be available for borrowing until August 31, 2004. At our option, loans under each of the facilities shall bear interest at the prime rate plus an applicable margin or LIBOR, plus an applicable margin. The applicable margin with respect to prime rate loans shall be between 0.25% and 1.25% based upon our debt to earnings ratio. The applicable margin with respect to LIBOR loans shall be between 1.75% and 2.75% based upon our debt to earnings ratio. We expect to repay and retire the outstanding balance of the term loan facility and repay the outstanding balance of the revolving loan facility with the proceeds of the offering.

We anticipate significant increases in working capital in the future primarily as a result of increased sales of equipment and higher relative levels of inventory. We will also continue to expend significant amounts of capital on property and equipment related to the expansion of our corporate headquarters, distribution center and equipment testing infrastructure to support our growth.

We believe that cash and cash equivalents, net proceeds from this offering, financing available under our revolving loan facility and anticipated cash flow from operations will be sufficient to fund our working capital and capital expenditure requirements for at least the next 12 months, although we may need to seek additional financing during that period. We cannot assure you that such financing will be available on acceptable terms, if at all, or that such financing will not be dilutive to our stockholders.

Year 2000 Compliance

Many currently installed computer systems and software products are coded to accept, store or report only two digit entries in date code fields. Beginning in the year 2000, these date code fields will need to be enabled to distinguish 21st century dates from 20th century dates. As a result, computer systems and software used by many companies, including us, our vendors and our customers, will need to be upgraded to comply with these year 2000 requirements. We could be impacted by year 2000 issues occurring in our own infrastructure or the infrastructure of our suppliers, customers, vendors and financial service organizations. These year 2000 issues could include information errors and significant information system failures. Any disruption in our operations as a result of year 2000 issues could harm our business.

Our State of Readiness

Overview. To address year 2000 readiness, we are implementing a corporate program to coordinate efforts across all business functions, including addressing risks associated with business partners and other third-party relationships. Our internal year 2000 readiness program is divided into four program areas: internal systems and technology compliance, product compliance, facilities and safety compliance and supplier and business partner compliance. We have substantially completed the assessment phase for all areas. We expect to complete our corrective actions during the fourth

quarter of 1999. There can be no assurance that we will be able to complete corrective action for all four phases in a timely manner, if at all, or that the process will adequately address the year 2000 issue.

Internal Systems and Technology Compliance

Core IT Systems. In August 1999, we completed the implementation of a J.D. Edwards database system which included most of the major functional areas of our business. The system is designed to further automate our business processes and is certified by J.D. Edwards as year 2000 compliant.

Other Information Technology Systems. Our other information technology systems include telephone and comparable systems and other application software. We have replaced, upgraded or plan to replace or upgrade those systems that we assessed as not year 2000 compliant. All system compliance projects are expected to be completed during the fourth quarter of 1999.

Product Compliance

We do not design or manufacture any products we sell. We purchase all of our equipment from OEMs, distributors and other third parties. Under our purchase agreements with OEMs, equipment provided under these agreements will be year 2000 compliant. On purchases from distributors and other third parties, we attempt to assess the state of compliance of the equipment, however, there can be no assurance that this can be accurately determined.

Facilities and Safety Compliance

Our facilities and safety technology systems include building systems such as heating, cooling, fire, sprinkler and security systems. We are working with our landlords to identify and resolve any year 2000 compliance issues in these systems.

Supplier and Business Partner Compliance

Our suppliers provide equipment and supplies used by us in the conduct of our business. An assessment of our suppliers is underway to determinate the potential level of business interruption we could incur if a supplier fails to properly address the year 2000 issue. Our business partners provide our financial, payroll and other operational services. We are requesting written assurance of year 2000 compliance from our suppliers and business partners whose Year 2000 compliance is important to our business. We will consider using alternate sources in the cases where these parties will not provide written assurances.

The Costs to Address Our Year 2000 Issues

Costs incurred in connection with the resolution of year 2000 issues to date have consisted primarily of the purchase and implementation of our J.D. Edwards database system and related hardware. In addition, we have incurred internal labor costs relating to year 2000 compliance planning and assessment. As of August 31, 1999 we have incurred capital expenditures of approximately $800,000 on year 2000 compliance and expect to incur approximately $200,000 of additional compliance related expenditures. We do not expect additional expenditures related to year 2000 compliance to be significant.

Our Contingency Plans

Specific contingency plans are being developed in connection with the assessment and resolution of the risks we have identified. We have established preliminary information technology contingency plans and we are continuing to develop those plans for specific areas of risk associated with the year 2000 issue. We expect to finalize our contingency plans during the fourth quarter of 1999.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, or SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS 133 requires that all derivatives be recognized at fair value in the balance sheet, and the corresponding gains or losses be reported either in the statement of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. SFAS 133 will be effective for fiscal years beginning after June 15, 2000. We do not currently hold derivative instruments or engage in hedging activities.

Qualitative and Quantitative Disclosure About Market Risk

We have reviewed the provisions of Financial Reporting Release No. 48 "Disclosure of Accounting Policies for Derivative Commodity Instruments and Disclosure of Quantitative and Qualitative Information about Market Risks Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments." We had no holdings of derivative financial or commodity instruments at June 30, 1999.

All of our revenue and capital spending is denominated in U.S. dollars. As of June 30, 1999 we were exposed to interest rate risk on our then outstanding

revolving loan facility. The table below presents principal amounts by expected maturity and the weighed average interest rates of debt obligations which are sensitive to changes in interest rates.

<TABLE>
<CAPTION>

	Expected Maturity Date				
	1999	2000	2001	2002	2003
		(in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>
Revolving Loan Facility	779	--	--	--	--
Weighed Average Interest Rate	7.75%	--	--	--	--

</TABLE>

We believe that the fair value of our current revolving loan facility approximates its carrying value due to its short term nature.

BUSINESS

Industry Background

The telecommunications infrastructure equipment market has experienced tremendous growth in recent years. This growth has been driven primarily by increased carrier competition, expanded service offerings, increased demand among businesses and consumers and technology advancements. Dataquest projects that worldwide sales of telecommunications infrastructure equipment will grow from $180 billion in 1998 to $230 billion in 2002.

Telecommunications infrastructure equipment is purchased by a wide variety of existing and emerging carriers, including:

- Incumbent local exchange carriers, or ILECs, such as independent local exchange carriers, and regional bell operating companies, or RBOCs;
- Long distance carriers, or IXCs;
- Wireless carriers, such as cellular service providers, personal communications service, or PCS, companies, paging operators and specialized mobile radio operators, or SMRs; and
- Competitive local exchange carriers, or CLECs.

These carriers are making substantial capital expenditures on telecommunications infrastructure equipment to build, upgrade and maintain their networks. These networks are primarily comprised of switching, transmission, access, wireless, microwave and power equipment.

Carrier Challenges in the Changing Telecommunications Market

Increased Carrier Competition. Global deregulation has changed the telecommunications industry and created significant new opportunities for carriers. For example, in the United States, where each local telephone market was once served by a single local exchange carrier, deregulation has now created intense competition by allowing the entry of IXCs, CLECs, wireless carriers and local exchange carriers from other markets. Carriers are making substantial expenditures on equipment to establish themselves in new markets. In this increasingly competitive environment, we believe carriers will continue to devote significant financial resources to build, upgrade and maintain their networks.

Expanded Service Offerings. To differentiate themselves, carriers are rapidly developing and offering to their customers innovative and more affordable

services. Examples of these services include high speed Internet access, one-rate wireless and long distance plans and other services. To deliver these expanded services, carriers must invest significant capital to increase their network capacity and enhance their current networks.

Increased Demand Among Businesses and Consumers. The demand among businesses and consumers for telecommunications services has increased dramatically in recent years. As competition among carriers has resulted in lower pricing and greater accessibility, consumers have increased their utilization of and dependence on new services. For example, the growth in high speed data and Internet applications, including e-mail, web browsing and e-commerce, and the increased availability of more flexible mobile networks, such as cellular, PCS and paging, have increased business and consumer demand for these and other new services. To meet this demand, carriers must

build, upgrade and maintain reliable networks capable of supporting significantly greater volumes of traffic as well as new service offerings.

Technology Advancements. Advancements in telecommunications technology enable carriers to increase capacity, improve service quality and expand their service offerings. To respond to increased competition and differentiate their service offerings, carriers are purchasing and deploying new equipment and technologies from a wide variety of manufacturers.

Impact on Carrier Equipment Needs

The foregoing challenges are fueling demand by existing and emerging carriers for telecommunications infrastructure equipment and services. Carriers have invested hundreds of billions of dollars in telecommunications network infrastructure. To maximize the value of their investments, carriers are expanding and upgrading their existing networks and utilizing existing and new technologies and equipment from multiple vendors. In addition, carriers are seeking cost-effective ways to expand and maintain existing network elements based on mature technologies.

As carriers build, maintain and upgrade their telecommunications networks, they often replace existing equipment that still has a significant useful life. This equipment, referred to as de-installed equipment, often is suitable for redeployment in other parts of a carrier's network to increase network capacity and expand service offerings. While historically carriers may have scrapped de-installed equipment or let it remain idle, competitive factors increasingly require carriers to attempt to recapture a portion of their original investment. While carriers prefer to redeploy de-installed equipment within their own networks, they are often unable to do so. In cases where redeployment cannot be achieved, they are seeking third party assistance to regain a portion of their initial investment.

Carriers not only require large amounts of telecommunications equipment, but they also need related value-added services to support the build out and expansion of their networks. In particular, emerging carriers lack many of the human and financial resources of existing carriers and need these value-added services as they aggressively buildout their networks to take advantage of opportunities to capture and retain customers. These emerging carriers seek creative and cost effective ways to build out their networks through a combination of services and new, de-installed and refurbished equipment. Once they have expanded these networks, they will have the same needs as incumbent carriers to increasingly expand their service offerings and network coverage. This cycle of network buildouts, upgrades, expansions and maintenance by carriers will continue to fuel the trend of increased demand for both new and de-installed equipment.

Limitations of Existing Equipment Providers

To satisfy their equipment needs, carriers have traditionally purchased equipment from original equipment manufacturers, or OEMs, distributors and secondary market dealers. In this increasingly competitive market, many carriers are discovering that the traditional equipment providers are unable to fulfill their complex and changing equipment and service requirements.

OEMs. Historically, carriers have relied on OEMs for new telecommunications infrastructure equipment. Today, some large OEMs offer a variety of products but do not support multi-vendor product lines. In addition, while some OEMs offer limited trade-in programs for de-installed equipment, they typically only cover equipment they manufactured and offer relatively low valuations. OEMs are also encountering difficulties in serving increased numbers of carriers as their direct sales models do not scale well and are not cost effective in today's environment. As a result, many large OEMs are moving away from the direct sales model and relying more upon value-added equipment providers to deliver much of their equipment.

Distributors. Telecommunications equipment distributors typically provide a selection of new equipment from a list of specific manufacturers and serve a product fulfillment role within defined product lines. While this high-volume, low margin, transaction-oriented model offers a wider selection of equipment than OEMs, it generally results in limited flexibility to address changing carrier equipment requirements. Additionally, the lower margins associated with distributor sales results in a sales force focused on sales volume and not on creative, customized solutions. Distributors are not able to support the complexities of effective trade-in, refurbishing and redeployment programs.

Secondary Market Dealers. While OEMs and distributors have limited involvement in the growing market for de-installed equipment, secondary market dealers specialize in this type of transaction. These dealers buy and sell de-installed equipment in niche markets and often serve as an outlet for carriers' excess inventories. Generally these secondary market dealers lack the management, operational and financial resources necessary to consistently and effectively meet changing equipment requirements.

Emerging Requirements for Telecommunications Equipment Providers

Due to increased competition, the need to rapidly deliver expanded services, greater demand and technology advancements, carrier demand for telecommunications infrastructure equipment and related services has grown significantly. In today's dynamic environment, carriers are balancing the need to attract and retain their customers with aggressive network build out schedules. As a result, carriers are turning to equipment providers who offer:

- Broad selections of multi-vendor equipment and technologies available from a single source;
- Rapid responses from flexible, knowledgeable sales and customer service representatives;
- Asset recovery programs that offer higher returns and greater flexibility across a broader range of de-installed or excess equipment.
- Technical support on a wide variety of products, including product selection and configuration;
- Other equipment solutions including repair, installation and de-installation; and
- Value-added materials management services including warehousing, multi-vendor equipment packaging, or kitting, and other network deployment services.

The Somera Solution

We provide telecommunications carriers with a broad range of infrastructure equipment and related services designed to meet their specific and changing equipment needs. We offer our

customers a unique combination of new, de-installed and refurbished equipment from a variety of manufacturers, allowing them to make multi-vendor purchases from a single cost-effective source. To further address our customers' dynamic equipment needs, we offer a suite of customized, value-added services including asset recovery, inventory management, technical support and other ancillary services. Our innovative equipment and service offerings are delivered through our team of 75 trained sales and procurement professionals, who work individually with customers to understand, anticipate and meet their ongoing equipment requirements. Our sales teams utilize our relationship management database, our selective inventory and our distribution center to provide our customers with rapidly deployable equipment solutions.

The key benefits of our solution include:

- Broad Multi-vendor Equipment Offering. We provide customers with an effective alternative to traditional telecommunications equipment supply channels by offering a broad range of new, de-installed and refurbished equipment from a variety of manufacturers. We offer infrastructure equipment used in both wireline and wireless networks including switching, transmission, access, wireless, microwave and power products. We believe the equipment we sell provides carriers with a more flexible and cost-effective alternative to existing suppliers.

- Rapid Responsiveness to Dynamic Customer Needs. We offer our customers rapid, customized solutions to address their unique equipment needs. We provide carriers with convenient access to our skilled and dedicated sales and service professionals who are capable of quickly identifying and responding to their diverse network needs. We are able to quickly locate and provide equipment to carriers by using our relationship management database and maintaining selective inventory.

- Flexible Asset Recovery Programs. We provide innovative and effective asset recovery programs that enable carriers to cost-effectively build, upgrade and maintain their networks and to recapture value from their excess and de-installed equipment. Our asset recovery programs are customized to meet carriers' specific objectives and include equipment purchases, as well as trade-in, remarketing and consignment programs that offer carriers a creative means to recapture a portion of their original equipment investment.

- Simplified, Value-added Materials Management Services. We provide carriers with a comprehensive, cost-effective source for buying and selling telecommunications infrastructure equipment that simplifies the management of their equipment inventory and allows them to focus more on their core business. We also provide carriers with a full range of value-added services, including technical, materials management and other network deployment services.

The Somera Strategy

Our objective is to be the premier provider of telecommunications infrastructure equipment and related services to carriers worldwide. Key elements of our strategy include:

- Expand Penetration of Telecommunications Carrier Market. Our strategy is

to further penetrate our existing base of over 750 customers and to identify, target, and develop additional customers. We intend to increase our sales force and continue our highly

interactive dialogue with carriers to better understand and respond to their specific equipment and service needs. We believe we have established a track record of providing high levels of customer service and that our reputation will give us access to greater customer opportunities in the future. We believe that our relationship management database provides us with the broad industry pricing and equipment deployment knowledge necessary to meet our customers' needs and anticipate market trends.

- Expand Product Lines and Service Capabilities. To continue to meet the dynamic needs of carriers, we intend to continuously add to the depth and breadth of our equipment and service offerings. We intend to expand our product lines by increasing our access to carriers' excess equipment and partnering with additional OEMs and distributors. We will aggressively seek new supply sources to address under-served equipment segments.

- Increase RBOC Penetration. We intend to expand our relationships with the RBOCs by increasing our resources dedicated to this market, including expanding our sales force and obtaining ISO 9000 certification for our distribution center and testing facilities. We also intend to further strengthen product expertise in those areas most heavily demanded by RBOCs. We believe that maintaining strong relationships with the RBOCs can also offer a significant potential source of de-installed equipment.

- Pursue Opportunities for International Growth. International markets represent a significant opportunity for future growth. We are currently generating net revenue in Latin America, Europe and Asia and expect to continue this international expansion. We intend to add additional sales management and resources to focus on these markets and plan to open our first European office in the first six months of 2000. Entry into the European market gives us the opportunity to expand our current offering of equipment based on European standards and technology and increases our ability to serve foreign markets. In addition, we believe that international expansion by some of our existing customers will provide us with greater access to these foreign markets.

- Pursue Selective Acquisitions. The secondary market for telecommunications equipment is highly fragmented, consisting primarily of suppliers offering limited products to niche markets. We believe that these suppliers and other equipment providers, especially those that can increase the breadth and depth of our equipment and service offerings and enable us to reach new markets or further penetrate existing markets, represent potential acquisition opportunities.

Equipment and Services

Equipment

We offer our customers a broad range of telecommunications infrastructure equipment to address their specific and changing equipment needs. The equipment we sell includes new, de-installed and refurbished items from a variety of manufacturers. In 1998, we sold over 6,000 items, or SKUs, from over 250 different manufacturers. We offer the original manufacturer's warranty on all new equipment we sell. On de-installed and refurbished equipment, we offer our own warranty which guarantees that the equipment will perform up to the manufacturer's original specifications.

The equipment we sell is grouped into several general categories including switching, transmission, access, wireless, microwave and power products.

Switching. Switching equipment is used by carriers to manage call traffic and to deliver value- added service. Switches and related equipment are located in the central office of a telecommunications carrier and serve to determine pathways and circuits for establishing, breaking or completing voice and data communications over the public switched telephone network, or PSTN, and the Internet. We provide a variety of switching equipment, including switches, circuit cards, shelves, racks and other ancillary items in support of carrier upgrades and reconfigurations. Manufacturers of switching equipment whose products we sell include Alcatel USA, Centigram, Lucent Technologies and Nortel Networks.

Transmission. Transmission equipment is used by carriers to carry information to multiple points in a carrier's network. Transmission equipment serves as the backbone of a telecommunications carrier's network and transmits voice and data traffic in the form of standard electrical or optical signals. We sell a broad range of transmission products, including channel banks, multiplexors, digital cross-connect systems, DSX panels and echo cancellers. Manufacturers of transmission equipment whose products we sell include ADC Telecommunications Inc., Fujitsu Ltd., Lucent Technologies Inc., NEC Corp., Nortel Networks Inc., Telco Systems, Inc. and Tellabs Inc.

Access. Access equipment is used by carriers, to provide local telephone service and Internet access. Access equipment is used in the local loop, or last mile, portion of the PSTN and connects a home or business to the switch in a carrier's central office. We provide a variety of access equipment, including digital loop carriers, channel service units/digital subscriber units, multiplexors and network interface units. Manufacturers of access equipment whose products we sell include ADC Telecommunications Inc., Carrier Access Corp., Lucent Technologies Inc., NEC Corp., Newbridge Networks Corp., Nortel Networks Inc., Telco Systems, Inc. and VINA Technologies, Inc.

Wireless. Cell sites and other wireless equipment are used by cellular, PCS, paging and SMR carriers to provide wireless telephone and Internet access. This equipment is used to amplify, transmit and receive signals between mobile users and transmission sites, including cell sites and transmission towers. We sell a broad range of wireless equipment including radio base stations, towers, shelters, combiners, transceivers and other related items. Manufacturers of wireless and cell site equipment whose products we sell include Allen Telecom Inc., Telefon AB LM Ericsson, Lucent Technologies Inc., Motorola Inc., Nortel Networks Inc. and Siemens AG.

Microwave. Microwave systems are used by carriers to transmit and receive voice, data and video traffic. These systems enable point to point high speed wireless communications. We provide a variety of microwave systems, including antennas, dishes, coaxial cables and connectors. Manufacturers of microwave systems whose products we sell include Alcatel Alsthom S.A., Adaptive Broadband Corp., Digital Microwave Corp., Digital Transmission Systems Inc., Harris-Farinon Canada Inc., Nortel Networks Inc. and Glenayre Technologies Inc.

Power. Power equipment is used by carriers to provide direct current, or DC, power to support their network infrastructure equipment. We sell a broad range of power equipment, including power bays, rectifiers, batteries, breaker panels and converters. Manufacturers of power equipment whose

products we sell include C&D Technologies, GEC, Lucent Technologies, Nortel Networks, Peco II and Power Conversion Products.

Services

Unlike other equipment providers that are product driven, we are customer focused. Our equipment and service offerings, industry focused sales teams and internal systems and procedures are all specifically designed to meet the needs of each carrier market we serve. We train our employees to offer high quality service and to provide consistent, reliable customer service. We believe these elements enable us to offer a sales force that can provide rapid, knowledgeable and creative solutions to our customers.

To enable carriers to focus on their core business, we offer the following services in connection with our equipment sales and procurement:

- Asset Recovery Programs. Our innovative asset recovery programs offer carriers effective solutions to manage their excess and de-installed equipment. These programs are customized to meet the specific objectives of each carrier, and include equipment purchases as well as equipment trade-ins, consignment and re-marketing programs. The programs allow carriers to easily and rapidly recapture value from excess and de-installed equipment.

- Technical Services. Our technical services include product selection, equipment configuration, custom integration and technical support. These services enable carriers to supplement their internal technical resources.

- Value-added Materials Management Services. Our materials management services include equipment procurement, kitting, warehousing and other inventory management and deployment services.

- Other Services. Through our extensive network of subcontractor relationships and partners, we are also capable of providing specialized transportation services, regional warehousing, repair services, installation and de-installation services.

Sales, Marketing and Procurement

Our sales organization is located primarily at our corporate headquarters in Santa Barbara, California and is augmented by our satellite offices in Pasadena and Los Gatos, California. As of June 30, 1999, we employed 75 sales and procurement professionals. We generate leads primarily through direct marketing, customer referrals and participation in industry tradeshows. Our sales force is organized by market segment, including specialized teams focused on the RBOCs, independent local exchange carriers, IXCs, CLECs, and wireless carriers, including cellular, PCS and SMRs.

Our sales force operates on a named account basis rather than by geography, which allows us to maintain a consistent, single point of contact for each customer. Another key feature of our selling effort is the relationships we establish at various levels in our customers' organizations. This structure allows us to establish multiple contacts with each customer across their management, engineering and purchasing operations. For each type of carrier, we employ dedicated teams with extensive market knowledge to meet the specific equipment needs of these customers.

Each team member has access to, and is supported by, our relationship management database. This real time proprietary information system allows each team to:

- respond to customer requirements by accessing our extensive database of

excess and de-installed equipment located at carriers, manufacturers, distributors and other third parties worldwide, as well as by accessing our select inventory;
- access relevant detailed purchase and sale information by customer and part number;
- access technical and system configuration information;
- trace and track all customer and vendor order activity; and
- project and anticipate customer equipment requirements.

Each of our teams is directed by a group sales manager who is responsible for the overall customer relationship and is supported by a number of account executives, logistics administrators and production controllers. We believe our dedicated team structure provides consistent high quality customer service which builds long-term relationships with our customers. Our account executives have frequent customer contact and oversee customer proposals while our logistics administrators work with our production controllers as well as our customers to coordinate sourcing, delivery and any required follow-through procedures to ensure our customers receive quality, timely customer service.

Our marketing effort focuses on enhancing market awareness of our brand through industry trade shows, professional sales presentations and brochures, an informative web site, branded giveaways and special customer events. Additionally, we advertise in key telecommunications industry publications. We believe the size and scope of our operations in our highly fragmented industry gives us both a unique advantage and opportunity to further build and enhance our brand recognition.

In support of our sales activities, we have teams who are responsible for procurement of the de-installed equipment we sell. Procurement teams are organized by market segment, including specialized teams focused on wireless carriers, wireline carriers, and new equipment OEMs and distributors. Our procurement specialists are dedicated, on a named account basis, to purchase de-installed equipment from carriers. We also employ a product marketing group that develops and maintains our relationships with manufacturers and distributors to assure the availability of new equipment for our customers.

Customers

We sell equipment to independent local exchange carriers, RBOCs, IXCs, a broad range of wireless carriers including cellular, PCS, paging and SMRs, and CLECs. We have over 750 customers who are located primarily in the United States. Customers from which we recognized at least $1,000,000 in net revenue in the first six months of 1999 include ALLTEL Corporation, AT&T Corporation, McLeodUSA Inc., Sprint Corporation, United States Cellular Corporation and Vodafone AirTouch plc. In the first six months of 1999 no single customer accounted for more than 10% of our net revenue. In 1998 ALLTEL Corporation accounted for 10.2% of our net revenue, in 1997 Vodafone AirTouch plc accounted for 10.1% of our net revenue, and in 1996 ALLTEL Corporation accounted for 11.4% of our net revenue. Sales to customers outside of the United States accounted for 13.4% of our net revenue in the first six months of 1999, 19.7% of our net revenue in 1998, 16.5% of our net revenue in 1997, and 6.8% of our net revenue in 1996.

The following examples demonstrate how we have helped our customers:

Long Distance Carrier. An international long distance carrier made a significant investment in several Lucent 4ESS and 5ESS legacy switches installed throughout the United States. Although these switches were mature technologies and, in some cases, were discontinued, they still performed well and the carrier wanted to continue utilizing them. Because these were older pieces of equipment, obtaining plug-in cards, spare parts and other items

necessary to maintain and expand the switches from the manufacturer was difficult and expensive. Consequently, the carrier was forced to explore alternative supply sources. In response to inquiries, we utilized our relationship management database and network of supply channels to locate and procure the necessary items on a rapid and cost-effective basis.

CLEC. A CLEC specializing in providing bundled services to businesses and other carriers had a major customer request which would require the construction of a multi-site synchronous optical network, or SONET, OC-12 ring. After completing the initial network expansion design based on new equipment from an OEM, the carrier determined that the delivery would not be timely or cost-effective enough to provide a competitive solution. After the carrier contacted us, we reviewed the engineering specifications and project schedule. We were able to recommend an alternate equipment configuration utilizing a combination of available new, de-installed and refurbished equipment at 40% less than the price quoted by the OEM. This solution allowed the carrier to build the SONET ring and meet their customer's requirement in a cost-effective and timely manner.

Wireless Carrier. A major Latin American wireless carrier had contracted with a large OEM to replace its existing cellular network with a new digital network. Design and installation of this new digital network was to be completed in one year. While the new network was being installed, the carrier needed to address significant service quality issues it faced due to capacity constraints on its existing network from rapid subscriber growth. However, the carrier was reluctant to deploy significant capital on equipment which would only be in service for one year. By utilizing de-installed equipment from another carrier's network and refurbishing, testing and reconfiguring it to meet the specific requirements of the carrier, we were able to deliver this equipment within 30 days of their order at a significant discount to the cost of equivalent new equipment. Furthermore, we agreed to repurchase the de-installed digital network equipment from the implementation of the carrier's digital network. This cost-effective solution allowed the carrier to expand capacity to meet demand and generating additional revenues.

Competition

The market for our equipment and service offerings is highly competitive. We believe that the trends toward greater demand for telecommunications services, increasing global deregulation and rapid technology advancements characterized by shortened product lifecycles will continue to drive competition in our industry for the foreseeable future. Increased competition may result in price reductions, lower gross margins and loss of our market share.

Increased competition in the secondary market for telecommunications equipment could also heighten demand for the limited supply of de-installed equipment, which would lead to increased prices for, and reduce the availability of, this equipment. Any increase in these prices could significantly impact our ability to maintain our gross margins. Any reduction in the availability of this equipment could cause us to lose customers.

We currently face competition primarily from OEMs, distributors and secondary market dealers. Many of these competitors have longer operating histories, significantly greater resources and name recognition, and a larger base of customers. Our competitors may be able to devote greater resources to the promotion and sale of new, de-installed and refurbished telecommunications equipment and adopt more aggressive pricing policies. They may be able to more effectively expand existing customer relationships and develop customer relationships. These competitors may be able to leverage their existing relationships to discourage our customers from purchasing additional equipment from us. In addition, they may be able to more rapidly adopt new technologies,

increase the array of products offered in response to changes in customer requirements and develop more expertise on specific manufacturers or product lines. They may also be able to implement more effective electronic commerce solutions. Moreover, some of our current and potential competitors may establish alliances or business combinations to quickly acquire significant market share. There can be no assurance that we will have the resources to compete successfully in the future or that competitive pressures will not harm our business.

Employees

As of June 30, 1999, we had 120 full-time employees. We consider our relations with our employees to be satisfactory. We have never had a work stoppage, and none of our employees is represented by a collective bargaining agreement. We believe that our future success will depend in part on our ability to attract, integrate, retain and motivate highly qualified personnel, and upon the continued service of our senior management and key sales personnel. Competition for qualified personnel in the telecommunications equipment industry and our geographic location is intense. We cannot assure you that we will be successful in attracting, integrating, retaining and motivating a sufficient number of qualified employees to conduct our business in the future.

Facilities

Our principal executive and corporate offices occupy approximately 12,500 square feet in Santa Barbara, California under a lease agreement that expires in January 2003 with one three-year extension. Our distribution center occupies approximately 100,000 square feet in Oxnard, California under a lease agreement that expires in May 2004. We also have a warehouse of approximately 23,000 square feet in Santa Barbara, California under a lease agreement that expires in March 2005. Additionally, we lease sales offices of approximately 435 square feet in Los Gatos, California under a lease agreement that expires in April 2000 and of approximately 455 square feet in Pasadena, California under a lease agreement that expires in May 2000. We are currently exploring additional locations to expand our corporate facilities. We believe that our facilities are adequate for our current operations and that additional space can be obtained if needed.

Legal Proceedings

From time to time, we may be involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this prospectus, we are not a party to or aware of any litigation or other legal proceeding that could harm our business.

MANAGEMENT

Directors and Executive Officers

Our executive officers and directors and their ages as of August 1, 1999, are as follows:

<TABLE>
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Name	Age	Positions
<C>	<C>	<S>
Dan Firestone.....	37	Chairman of the Board of Directors, President and Chief Executive Officer

Jeffrey G. Miller	36	Executive Vice President, Sales and Marketing
Gary J. Owen	45	Chief Financial Officer
Gil Varon	38	Director and Vice President, Wireline Division
Walter G. Kortschak(1)	40	Director
Peter Y. Chung(2)	31	Director
Barry Phelps(1)(2)	52	Director

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(1) Member of Compensation Committee
(2) Member of Audit Committee

Dan Firestone co-founded Somera Communications in July 1995, has served as our Chief Executive Officer since 1996, has served as our President since December 1998, and has also served as our Chairman of the Board since our inception. From 1994 to the present, Mr. Firestone has also operated SDC Business Consulting, a private business consulting firm. In 1984, Mr. Firestone co-founded Century Computer Marketing, a distributor of computer service spare parts and related products, and served as its Chief Executive Officer until May 1994.

Jeffrey G. Miller has served as our Executive Vice President, Sales and Marketing since joining Somera Communications in May 1999. From January 1996 until May 1999, Mr. Miller served as Regional Director for North American Sales and Operations for the Cellular Infrastructure Group of Motorola, Inc. From 1985 until January 1996, Mr. Miller worked in various capacities with AT&T, including positions in sales management, product management, marketing, and software development in their long distance, premises equipment, and voice messaging business segments. Mr. Miller holds a B.S. in business administration from Miami University and an M.B.A. from Ohio State University.

Gary J. Owen has served as our Chief Financial Officer since joining Somera Communications in July 1999. From January 1999 until July 1999, Mr. Owen served as Group Finance Director for Logical Holdings Ltd., a U.K. software development and services company. From January 1997 to January 1999, Mr. Owen served as Group Finance Director for IFX Group plc, an international information services company. From September 1996 to December 1996, Mr. Owen served as a finance consultant doing project work for Fujitsu Telecommunications Ltd. From May 1994 to September 1996, Mr. Owen served as Director, European Operations, for Aurora Electronics, Inc., an electronic materials management company. From 1986 until May 1994, Mr. Owen served as Chief Financial Officer of Century Computer Marketing, a distributor of computer service spare parts and related products. Mr. Owen holds a B.A. in accounting and finance from Nottingham University, England. Mr. Owen is also a qualified member of the Institute of Chartered Accountants.

Gil Varon co-founded Somera Communications in July 1995, served as our President from July 1995 until December 1998, has served as our Vice President, Wireline Division since January 1999, and has served as one of our directors since our inception. From 1995 until the present, Mr. Varon

has also served as a Senior Sales Manager. From May 1994 to June 1995, Mr. Varon served in sales and procurement positions for Aurora Electronics, Inc. From 1985 until May 1994, Mr. Varon served as a Group Sales Manager at Century Computer Marketing.

Walter G. Kortschak has served as a director of Somera Communications since July 1998. Mr. Kortschak is a Managing Partner and Managing Member of various entities affiliated with Summit Partners, L.P., a private equity capital firm in Palo Alto, California, where he has been employed since June 1989. Summit

Partners, L.P., and its affiliates manage a number of venture capital funds, including Summit Ventures V, L.P., Summit V Advisors (QP) Fund, L.P., Summit V Advisors Fund, L.P., and Summit Investors III, L.P. Mr. Kortschak also serves as a director of E-Tek Dynamics, Inc., an optical components and modules company. Mr. Kortschak holds a B.S. in engineering from Oregon State University, an M.S. in engineering from The California Institute of Technology and an M.B.A. from the University of California, Los Angeles.

Peter Y. Chung has served as a director of Somera Communications since July 1998. Mr. Chung is a General Partner and Member of various entities affiliated with Summit Partners, L.P., a private equity capital firm in Palo Alto, California, where he has been employed since August 1994. Summit Partners, L.P., and its affiliates manage a number of venture capital funds, including Summit Ventures V, L.P., Summit V Advisors (QP) Fund, L.P., Summit V Advisors Fund, L.P., and Summit Investors III, L.P. From August 1989 to July 1992, Mr. Chung worked in the Mergers and Acquisitions Department of Goldman, Sachs & Co. Mr. Chung also serves as a director of Ditech Communications Corporation, a telecommunications equipment company, E-Tek Dynamics, Inc., an optical components and modules company, and Splash Technology Holdings, Inc., a developer of color server systems. Mr. Chung holds an A.B. from Harvard University and an M.B.A. from Stanford University.

Barry Phelps has served as a director of Somera Communications since July 1999. Mr. Phelps is the President and Chief Executive Officer of Netcom Systems, Inc., a network performance analysis company in Calabasas, California, where he has been employed since November 1996. Before he became President and Chief Executive Officer in November 1997, Mr. Phelps served as the Vice President, Finance and Chief Financial Officer of Netcom Systems. Netcom Systems was acquired by Bowthorpe plc in July 1999. Prior to joining Netcom Systems, from February 1992 to November 1996, Mr. Phelps served as Chairman and Chief Executive Officer of MICOM Communications Corporation, a data communications equipment company which was acquired by Nortel Networks in June 1996. Mr. Phelps holds a B.S. in mathematics from St. Lawrence University and an M.B.A. from the University of Rochester.

The executive officers serve at the discretion of the board of directors. There are no family relationships among any of our directors or executive officers.

Board Composition

We currently have five authorized directors. In accordance with the terms of our bylaws, the terms of the directors will be divided into three classes. Class I director terms will expire at the annual meeting of stockholders to be held in 2000. Class II director terms will expire at the annual meeting of stockholders to be held in 2001. Class III director terms will expire at the annual meeting of stockholders to be held in 2002. The Class I director is Mr. Chung, the Class II directors are

Messrs. Phelps and Varon, and the Class III directors are Messrs. Firestone and Kortschak. At each annual meeting of stockholders after the initial classification or special meeting in lieu of the annual meeting, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu of the annual meeting. Each director is elected at the respective meeting of our stockholders by a vote of the holders of a plurality of the voting power represented at that meeting. In addition, our bylaws provide that the authorized number of directors may be changed by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of

one-third of the total number of directors. This classification of the board of directors may have the effect of delaying or preventing a change of control or management of Somera Communications.

Board Committees

Our audit committee, which consists solely of two independent directors, reviews, acts on and reports to our board of directors on various auditing and accounting matters, including the selection of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our independent accountants and our accounting practices and internal controls. Messrs. Chung and Phelps are the members of our audit committee.

Our compensation committee establishes salaries, incentives and other forms of compensation for officers and other employees. This committee also administers our incentive compensation and benefit plans. Messrs. Kortschak and Phelps are the members of the compensation committee.

Director Compensation

Except for reimbursement of reasonable expenses incurred in connection with serving as a director and the grant of stock options, our directors are not compensated for their service as directors. In July 1999, we granted Mr. Phelps, one of our non-employee directors, an option to purchase 50,000 shares of common stock at an exercise price of $8.50 per share under our 1999 Unit Option Plan. These options vest 25% after one year, and ratably thereafter over a period of three years. Under our 1999 Director Option Plan, each non-employee director will automatically be granted an option to purchase 30,000 shares of our common stock on the date on which he or she becomes a director. In addition to this first option grant, each outside director will automatically be granted an option to purchase 7,500 shares on each July 1st, if on the date of such subsequent grant he or she shall have served on the board for six months from the date of such grant. Both the initial 30,000 share initial option grant and subsequent 7,500 share option grant shall vest 25% after one year, and ratably thereafter over a period of three years.

Compensation Committee Interlocks and Insider Participation

Our compensation committee consists of Messrs. Kortschak and Phelps. Prior to the offering, our compensation committee consisted of Messrs. Firestone and Kortschak.

None of the current members of our compensation committee is an officer or employee of Somera Communications. No interlocking relationship exists between our board of directors or

compensation committee and the board of directors or compensation committee of any other company, nor has such an interlocking relationship existed in the past.

Employment Agreements

Jeffrey G. Miller. We entered into an employment agreement with Mr. Miller on May 6, 1999. Under the agreement, we agreed to pay Mr. Miller an annual salary of $225,000 and a bonus of up to $100,000 based on the achievement of performance milestones. Under this agreement, Mr. Miller received a signing bonus of $40,000. For the first year of Mr. Miller's employment, the full performance bonus is guaranteed. In conjunction with this agreement, we have granted Mr. Miller an option to purchase 660,093 shares of our common stock at an exercise price of $7.57 per share with 25% of the shares subject to this

option vesting on the first anniversary of his commencement date, and 1/36th of the remaining shares vesting monthly thereafter.

As a part of this employment agreement, we have provided Mr. Miller with an interest-free mortgage loan in the amount of $600,000 for the purpose of Mr. Miller acquiring a new home. Under the agreement, the loan will be forgiven over eight years for $50,000 per year for the first four years and $100,000 per year for the final four years. We will retain a mortgage security interest in the home during the term of the loan. In the event Somera Communications experiences a change of control and Mr. Miller is terminated without cause or constructively terminated within twelve months, the outstanding balance of the loan will be forgiven. In the event Mr. Miller is terminated without cause by us, the loan will be due and repayable upon one year after he is first able to sell his shares following this offering. In addition, he would be entitled to receive severance equal to one year of his base salary and target bonus and additional vesting of that number of shares subject to his option that would have become vested had Mr. Miller remained employed by us for an additional six months. In the event Mr. Miller leaves our employment voluntarily during the term of the loan, the loan would be due and repayable within six months of the date of the termination of his employment.

Gary J. Owen. We entered into an employment agreement with Mr. Owen on July 16, 1999. Under the agreement, we have agreed to pay Mr. Owen an annual salary of $200,000 and a bonus of up to $25,000 based on the achievement of performance milestones. Under this agreement, Mr. Owen received a signing bonus of $15,000. For the first year of Mr. Owen's employment, $12,500 of the performance bonus is guaranteed. In conjunction with this agreement, we have granted Mr. Owen an option to purchase 405,000 shares of our common stock at an exercise price of $8.50 per share with 25% of the shares subject to this option vesting on the first anniversary of his commencement date, and 1/36th of the remaining shares vesting monthly thereafter.

As a part of this employment agreement, Mr. Owen is eligible to receive a six-month interest-free mortgage loan in an amount to be determined by our president for purposes of Mr. Owen's purchase of and relocation to a new home. In the event Mr. Owen is terminated without cause by us, he would be entitled to receive severance equal to nine months of his base salary and target bonus. In addition, he would be entitled to receive additional vesting of that number of shares subject to his option that would have become vested had Mr. Owen remained employed by us for an additional six months. In the event of a change of control of Somera Communications, 50% of the shares subject to Mr. Owen's option, together with any subsequent options granted to him, will vest and become immediately exercisable.

Dan Firestone. Our compensation committee adopted a bonus plan for Mr. Firestone that provides him with incentive compensation based on performance milestones. Under this bonus plan, Mr. Firestone is eligible to receive a bonus, in addition to his base salary, of up to 250% of his base salary based on the company's achievement of performance milestones.

Executive Compensation

The following table sets forth all compensation paid or accrued during 1998 to our chief executive officer and our other most highly compensated executive officer whose salary and bonus for 1998 was more than $100,000. The table also sets forth compensation on an annualized basis for our chief executive officer and our other executive officers whose salaries, excluding bonuses if any, for 1999 will exceed $100,000 when calculated on an annualized basis.

Summary Compensation Table

<TABLE>
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Name and Principal Positions	1998 Annual Compensation			1999 Annual
	Salary	Bonus	Other Annual Compensation	Salary
<S>	<C>	<C>	<C>	<C>
Dan Firestone, Chairman of the Board, President and Chief Executive Officer	$109,936	$219,872	$3,250	$250,000
Gil Varon, Director and Vice President, Wireline Division	43,978	169,792	1,600	100,000
Jeffrey G. Miller, Executive Vice President, Sales and Marketing	--	--	--	225,000
Gary J. Owen, Chief Financial Officer	--	--	--	200,000

</TABLE>

Option Grants

We did not grant stock options to any of our executive officers in 1998. In 1999, Somera Communications, LLC granted options to purchase Class A units under its 1999 Unit Option Plan. Following the completion of this offering, no further options will be granted under the 1999 Unit Option Plan and all outstanding options under this plan will be assumed by and converted into options to purchase common stock under the 1999 Stock Option Plan. In May 1999, Somera Communications, LLC granted an option to Mr. Miller to purchase 660,093 Class A units at an exercise price of $7.57 per unit under our 1999 Unit Option Plan. In July 1999, Somera Communications, LLC granted an option to Mr. Owen to purchase 405,000 Class A units at an exercise price of $8.50 per unit under our 1999 Unit Option Plan. In July 1999, Somera Communications, LLC granted an option to Mr. Firestone to purchase 375,000 Class A units at an exercise price of $8.50 per unit under our 1999 Unit Option Plan. The options granted to these executive officers are nonqualified stock options and vest over four years at the rate of 25% of the shares subject to the option on the first anniversary of the date of grant, and 1/36th of the remaining shares each subsequent month. A portion of each of these options will accelerate upon a change of control or termination of the optionee's employment. See "--Employment Agreements" for further descriptions of these employee benefits. The options expire ten years from the date of grant and were granted at an exercise price equal to the deemed fair value of our common stock on the date of grant, as determined by the board.

Employee Benefits Plans

1999 Stock Option Plan

Our 1999 Stock Option Plan was adopted and approved by our board in September 1999. It provides for the grant of incentive stock options to employees and nonstatutory stock options and share purchase rights to employees, directors and consultants. We have reserved for issuance under our 1999 Stock Option Plan a total of 6,750,000 shares of common stock. As of August 31, 1999, no options were outstanding under this plan. However, following the consummation of this offering, all options granted under the 1999 Unit Option Plan will be assumed and converted into options to purchase an equivalent number of shares of our common stock under the 1999 Stock Option Plan. Following this assumption and conversion, 5,259,907 shares of our common stock will remain available for future option grants. The number of shares of common stock reserved for issuance under this plan will be subject to an annual increase on each anniversary beginning January 1, 2000 equal to the lesser of:

. 2,500,000 shares;
. 4% of the outstanding shares on each anniversary date; or
. an amount determined by the board of directors.

The 1999 Stock Option Plan is currently administered by the compensation committee of our board of directors. Options and stock purchase rights granted under the 1999 Stock Option Plan will vest as determined by the relevant administrator, and if not assumed or substituted by a successor corporation will accelerate and become fully vested in the event we are acquired. The exercise price of options and stock purchase rights granted under the 1999 Stock Option Plan will be determined by the relevant administrator, although the exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant. Options granted under the 1999 Stock Option Plan generally vest over a four-year period. The board of directors may amend, modify or terminate the 1999 Stock Option Plan at any time as long as such amendment, modification or termination does not impair vesting rights of plan participants. The 1999 Stock Option Plan will terminate in 2009, unless terminated earlier by the board of directors.

1999 Unit Option Plan

Our 1999 Unit Option Plan was approved by our board of directors in May 1999. We adopted the 1999 Unit Option Plan when we were a limited liability company. We have reserved 2,003,289 Class A units under the 1999 Unit Option Plan. As of August 1, 1999, options to purchase a total of 1,490,093 Class A units at a weighted average exercise price of $8.09 per share were outstanding and 513,196 Class A units remained available for future option grants. Following the completion of this offering, no further options will be granted under the 1999 Unit Option Plan and all outstanding options under this plan will be assumed by and converted into options to purchase common stock under the 1999 Stock Option Plan.

1999 Employee Stock Purchase Plan

Our 1999 Employee Stock Purchase Plan was adopted and approved by our board in September 1999. Our Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code, provides our employees with an opportunity to purchase our common stock through

accumulated payroll deductions. This plan will become effective upon the closing of this offering. A total of 300,000 shares of common stock have been reserved for issuance under the Purchase Plan, none of which have been issued. The number of shares reserved for issuance under the Purchase Plan will be subject to an annual increase on each anniversary beginning January 1, 2000 equal to the lesser of:

. the number of shares issued under the Purchase Plan in the prior year; or
. an amount determined by the board of directors.

The Purchase Plan will be administered by the compensation committee of our board of directors. The Purchase Plan grants each eligible employee an option to purchase common stock through payroll deductions up to a maximum of $25,000 for all purchases ending within the same calendar year and 5,000 shares for each purchase period thereafter. Employees are eligible to participate if they are employed by us for at least 20 hours per week and more than five months in any calendar year. Unless the board of directors or its committee determines otherwise, each offering period will run for six months. The first offering period will commence on the date of this prospectus and end on or about August 14, 2000, and new offering periods thereafter will commence on the first trading day on or after February 15th or August 15th. In the event we are

acquired, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the offering period then in progress will be shortened by setting a new exercise date to precede the date of the acquisition. The price at which common stock will be purchased under the Purchase Plan is equal to 85% of the fair market value of the common stock on the first or last day of the applicable offering period, whichever is lower. Employees may end their participation at any time during the offering period, and participation automatically ends on termination of employment. Generally, the board of directors may amend, modify or terminate the Purchase Plan at any time as long as the amendment, modification or termination does not impair the rights of plan participants. The Purchase Plan will terminate in 2009, unless terminated earlier in accordance with its provisions.

1999 Director Option Plan

Our 1999 Director Option Plan was adopted and approved by our board in September 1999. Our Director Plan provides for the grant of non-statutory stock options to non-employee directors. The Director Plan has a term of ten years unless terminated earlier by the board of directors. A total of 300,000 shares of our common stock, plus an annual increase equal to the number of shares needed to restore the number of shares of common stock that are available for grant under the Plan to 300,000 shares, have been reserved for issuance under the Director Plan. As of the date of this prospectus, no options have been granted under the Director Plan.

Our Director Plan provides that each new outside director shall automatically be granted an option to purchase 30,000 shares of our common stock on the date that outside director first becomes a director. In addition to this first option grant, each outside director shall automatically be granted an option to purchase 7,500 shares on each July 1st, if on the date of the subsequent grant he or she shall have served on the board for six months from the date of such grant. Options granted under the Director Plan vest at a rate of 25 percent of the shares subject to the option on each anniversary of its grant date, provided this director continues to serve as an outside director on these vesting dates.

Options granted under the Director Plan are exercisable by the outside director only while the individual remains one of our directors. The exercise price for each first option and subsequent option grant shall be 100% of the fair market value per share of our common stock on the date of grant.

In the event of our merger or the sale of substantially all of our assets, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, or following assumption or substitution the director is terminated, each option granted to an outside director under the Director Plan shall become fully vested and exercisable for a period of thirty days after which period the option shall terminate. Options granted under the Director Plan must be exercised within three months of the end of the optionee's tenure as one of our directors, or within 12 months after the director's termination by death or disability.

401(k) Plan

We provide a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan, which covers our eligible employees. Under our 401(k) plan, employees may elect to reduce their current annual compensation, on a pre-tax basis, up to the lesser of 15% or the statutorily prescribed limit, which is $10,000 in calendar year 1999, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan is intended to qualify under

Sections 401(a) and 401(k) of the Internal Revenue Code so that contributions by our employees to the 401(k) plan and income earned on plan contributions are not taxable to employees until withdrawn from the 401(k) plan and so that contributions will be deductible by us when made. The trustee of the 401(k) plan invests the assets of the 401(k) plan in the various investment options as directed by the participants.

Limitation of Liability and Indemnification Matters

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under federal and state securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we shall indemnify our directors and executive officers and may indemnify other officers, employees and other agents to the fullest extent permitted by law. We believe that indemnification by our bylaws covers at least negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in their capacity, regardless of whether the bylaws would permit indemnification.

We have entered into agreements to indemnify our directors and executive officers, in addition to indemnification provided for in our bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any director or executive officer in any action or proceeding, including any action by or on our behalf, arising out of the individual's services as our director or executive officer, or the director or executive officer of any subsidiaries or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought. We are not aware of any threatened litigation that may result in claims for indemnification. We currently have liability insurance for our directors and officers and intend to extend that coverage for public securities matters.

CERTAIN TRANSACTIONS

Summit Financing

On July 23, 1998, Summit Ventures V, L.P., Summit V Advisors (QP) Fund, L.P.,

Summit V Advisors Fund, L.P., Summit Investors III, L.P. and several other investors invested an aggregate of $51.8 million in Somera Communications, LLC in exchange for 14,070,000 Class B units. These Class B units will be exchanged for 14,070,000 shares of common stock upon the effectiveness of the registration statement with respect to this offering. The parties also entered into related agreements which provided for registration rights, liquidation preferences, transfer restrictions, and specified other rights. These related agreements specify that the Class B investors have the authority to elect two individuals to the board of managers of Somera Communications, LLC. Currently, two Class B representatives, Messrs. Kortschak and Chung, are members of the board of directors of Somera Communications, Inc. The right of the Class B investors to designate managers of Somera Communications, LLC, and directors of Somera Communications, Inc., as well as the transfer restrictions, will terminate upon this offering, although we expect Messrs. Kortschak and Chung to continue to serve as directors.

Fleet National Bank Credit Facility

On August 31, 1999, we entered into a credit agreement, consisting of a term loan facility and a revolving loan facility with a syndicate of financial institutions led by Fleet National Bank. As of September 1, 1999, $50 million was outstanding under the term loan facility and $6.5 million has been drawn under the revolving loan facility. We used the proceeds from the term loan facility to make a distribution to our members, including certain of our officers and directors, in the aggregate amount of $48.5 million. We plan to use a portion of the net proceeds of this offering to repay all outstanding amounts under the term loan facility and revolving loan facility. For additional information on the terms of the Fleet credit facility, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," and for additional information regarding repayment of the facility, please see "Use of Proceeds."

Loan From Officers and Related Parties

From July 1996 through November 1998, we borrowed an aggregate of $3.5 million from Dan Firestone, Gil Varon, Robert Firestone, who is Dan Firestone's father, and Voyage Partners, a partnership whose partners include Dan Firestone and Gil Varon, under a series of promissory notes that carried annual interest rates that varied between eight and thirteen percent. These notes were fully repaid in September 1999.

Miller Loan Agreement

We have provided Jeffrey G. Miller, our executive vice president of sales and marketing, with a $600,000 interest-free mortgage loan. This loan was made in conjunction with his employment agreement dated May 6, 1999 to assist with Mr. Miller's relocation to the Santa Barbara, California area and his purchase of a home. As of August 1, 1999, approximately $587,000 was outstanding on this loan. For additional information regarding this loan, please see "Management--Employment Agreements".

Promoters of Somera Communications

Mr. Firestone and Mr. Varon are each promoters for purposes of the federal securities laws. All material transactions with such persons are described in this section or elsewhere in this prospectus. Please see "Management" and Note 4 to the financial statements.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to beneficial ownership of our common stock as of August 31, 1999, as adjusted to reflect the sale of our common stock in this offering, by:

- each person who beneficially owns more than 5% of the common stock;
- each of our executive officers;
- each of our directors; and
- all executive officers and directors as a group.

Beneficial ownership is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to shares. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of August 31, 1999 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address for each listed stockholder is c/o Somera Communications, 5383 Hollister Avenue, Santa Barbara, California 93111.

The applicable percentage of ownership for each stockholder is based on 38,062,500 shares of common stock outstanding as of 1999, together with applicable options for that stockholder.

<TABLE>
<CAPTION>

		Percentage of Ownership	
Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Before Offering	After Offering
<S>	<C>	<C>	<C>
Dan Firestone.....	9,285,036	24.4%	-- %
Jeffrey G. Miller.....	--	*	*
Gary J. Owen.....	--	*	*
Gil Varon.....	9,375,000	24.6	--
Walter G. Kortschak(1)..... c/o Summit Partners, L.P. 499 Hamilton Avenue, Suite 200 Palo Alto, CA 94301	--	--	--
Peter Y. Chung(2)..... c/o Summit Partners, L.P. 499 Hamilton Avenue, Suite 200 Palo Alto, CA 94301	--	--	--
Barry Phelps.....	--	--	--
Summit Funds(3)..... c/o Summit Partners, L.P. 499 Hamilton Avenue, Suite 200 Palo Alto, CA 94301	13,757,333	36.1	--
All executive officers and directors as a group (7 persons).....	18,660,036	49.0	--

</TABLE>

---

* Represents beneficial ownership of less than 1%

(1) Mr. Kortschak, one of our directors, is a managing member of Summit Partners, LLC, which is the general partner of Summit Partners, V, L.P.,

which is the general partner of each of Summit Ventures V, L.P., Summit V Advisors (QP) Fund, L.P. and Summit V Advisors Fund, L.P. Mr. Kortschak is also a general partner of Summit Investors III, L.P. Mr. Kortschak disclaims beneficial ownership of the shares owned by the Summit Funds, except to the extent of his pecuniary interest therein.

(2) Mr. Chung, one of our directors, is a member of Summit Partners, LLC, which is the general partner of Summit Partners V, L.P., which is the general partner of each of Summit Ventures V, L.P., Summit V Advisors (QP) Fund, L.P. and Summit V Advisors Fund, L.P. Mr. Chung disclaims beneficial ownership of the shares owned by the Summit Funds, except to the extent of his pecuniary interest therein.

(3) Consists of 12,618,986 shares of common stock owned by Summit Ventures V, L.P., 723,116 shares of common stock owned by Summit V Advisors (QP) Fund, L.P., 220,978 shares of common stock owned by Summit V Advisors Fund, L.P., and 194,253 shares of common stock owned by Summit Investors III, L.P.

DESCRIPTION OF CAPITAL STOCK

General

Upon the completion of this offering, we will be authorized to issue 200,000,000 shares of common stock, $0.0001 par value, and 20,000,000 shares of undesignated preferred stock, $0.0001 par value. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our amended and restated certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

Common Stock

As of August 31, 1999, there were 38,062,500 shares of common stock outstanding which were held of record by 22 stockholders.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon the closing of this offering will be fully paid and nonassessable.

Preferred Stock

The board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, any or all of which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of the preferred stock. However, the effects might include, among other things, restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock and delaying or preventing a change of control without

further action by the stockholders. Immediately prior to the closing no shares of preferred stock will be outstanding, and we have no present plans to issue any shares of preferred stock.

Warrants

As of August 1, 1999, we had an outstanding warrant to purchase 95,155 shares of our common stock at an exercise price of $7.57 per share, and a outstanding warrant to purchase 112,500 shares of our common stock at an exercise price of $8.50 per share. Each of the warrants has a two-year term. Each of the warrants has a net exercise provision under which the holder may, in the exercise price

in cash, surrender the warrant and receive a net amount of shares, based on the fair market value of our stock at the time of the exercise of the warrant, after deducting the aggregate exercise price.

Registration Rights

As of August 31, 1999, the holders of 38,062,500 shares of our common stock or their transferees are entitled to have us register their shares under the Securities Act. These rights are provided under the terms of an agreement between us and the holders of these securities. Subject to limitations in the agreement, if we register any of our common stock either for our own account or for the account of other security holders, these holders will be entitled to include their shares of common stock in that registration, subject to the ability of the underwriters to limit the number of shares included in the offering. We will be responsible for paying all registration expenses, including reasonable legal fees, and the holders selling their shares will be responsible for paying all other selling expenses.

Delaware Anti-takeover Law and Certain Charter and Bylaw Provisions

Provisions of Delaware law and our amended and restated certificate of incorporation and bylaws summarized below could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise and to remove our incumbent officers and directors. These provisions are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweighs the disadvantages of discouraging these proposals because, among other things, negotiations could result in improved acquisition terms.

Board of Directors

Our board of directors will be divided into three classes of directors serving staggered three year terms. Our bylaws authorize our board of directors to fill vacant directorships or increase the size of the board of directors. Accordingly, even if a stockholder brings a successful proxy fight, the stockholder would likely only be able to elect a minority of our board of directors at any single annual meeting.

Stockholder Meetings

Under our amended and restated certificate of incorporation and bylaws, the board of directors, the chairman of the board and the president may call special meetings of stockholders but the stockholders may not call a special meeting.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee thereof.

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with some exceptions) the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Undesignated Preferred Stock

The authorization of undesignated preferred stock makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is ChaseMellon Shareholder Services LLC.

Nasdaq National Market Listing

We have applied to list our common stock on the Nasdaq National Market under the symbol "SMRA."

SHARES AVAILABLE FOR FUTURE SALE

Sales of substantial amounts of our common stock in the public market following the offering could cause the market price of our common stock to fall and could affect our ability to raise capital on terms favorable to us.

Of the shares to be outstanding after the offering, assuming that the underwriters do not exercise their over-allotment option, only the shares of common stock sold in this offering will be freely tradable without restriction in the public market unless the shares are held by "affiliates," as that term is defined in Rule 144(a) under the Securities Act of 1933. For purposes of Rule 144, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the issuer. The remaining shares of common stock to be outstanding after the offering are "restricted securities" under the

Securities Act of 1933 and may be sold in the public market upon the expiration of the holding periods under Rule 144, described below, subject to the volume, manner of sale and other limitations of Rule 144.

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares for at least one year, including an "affiliate," is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of our common stock (approximately shares immediately following the offering); or
- the average weekly trading volume during the four calendar weeks preceding filing of notice of the sale of shares of common stock.

Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about us. A stockholder who is deemed not to have been an "affiliate" of ours at any time during the 90 days preceding a sale, and who has beneficially owned restricted shares for at least two years, would be entitled to sell shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions or public information requirements.

In addition, as of August 31, 1999, there were outstanding warrants to purchase 207,655 shares of common stock and options to purchase 1,490,093 shares of common stock, of which no options were fully vested. An additional 5,259,907 shares are reserved for issuance under our 1999 Stock Option Plan. We intend to register the shares of common stock issuable or reserved for issuance under the 1999 Stock Option Plan as soon as practicable following the date of this prospectus.

Holders of 38,062,500 shares of common stock are entitled to registration rights with respect to these shares for resale under the Securities Act of 1933. If these holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, these sales could the market price for our common stock to fall. These registration rights may not be exercised prior to the expiration of 180 days from the date of this prospectus. See "Description of Capital Stock--Registration Rights."

Lock-up Arrangements

Our directors and officers, along with stockholders who hold all shares of our common stock have agreed not to sell or otherwise dispose of any shares of common stock for a period of 180 days after the date of this prospectus without prior written consent.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, the underwriters named below, for whom Lehman Brothers Inc., Dain Rauscher Wessels, a division of Dain Rauscher Incorporated and Thomas Weisel Partners LLC are acting as representatives, have each agreed to purchase from us the respective number of shares of common stock shown opposite its name below:

<TABLE>
<CAPTION>

Underwriters	Number of Shares
<S>	<C>

Lehman Brothers Inc.	
Dain Rauscher Wessels	
Thomas Weisel Partners LLC	
Total	

</TABLE>

The underwriting agreement provides that the underwriters' obligations to purchase shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement and that, if any of the shares of common stock are purchased by the underwriters under the underwriting agreement, all of the shares of common stock that the underwriters have agreed to purchase under the underwriting agreement, must be purchased. The conditions contained in the underwriting agreement include the requirement that the representations and warranties made by us to the underwriters are true, that there is no material change in the financial markets and that we deliver to the underwriters customary closing documents.

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus, and to dealers, who may include the underwriters, at this public offering price less a selling concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a concession not in excess of $ per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option to purchase up to an aggregate of additional shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts shown on the cover page of this prospectus. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. If this option is exercised, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to the underwriter's initial commitment as indicated in the table above and we will be obligated, under the over-allotment option, to sell the shares of common stock to the underwriters.

We have agreed that, without the prior consent of Lehman Brothers, we will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities that may be converted into or exchanged for any shares of common stock for a period of 180 days from the date of this prospectus. All of our executive officers and directors and stockholders holding all of the shares of our capital stock, including all of the holders of the warrants, have agreed under lock-up

agreements that, without prior written consent, they will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities that may be converted into or exchanged for any shares of common stock for the period ending 180 days after the date of this prospectus. See "Shares Available for Future Sale".

Prior to the offering, there has been no public market for the shares of common stock. The initial public offering price has been negotiated between the representatives and us. In determining the initial public offering price of the common stock, the representatives considered, among other things and in addition to prevailing market conditions:

. our historical performance and capital structure;

. estimates of our business potential and earning prospects;
. an overall assessment of our management; and
. the above factors in relation to market valuations of companies in related businesses.

We have applied to list our common stock on the Nasdaq Stock Market's National Market under the symbol "SMRA."

We have agreed to indemnify the underwriters against liabilities, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and selling group members to bid for and purchase shares of common stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of the common stock. These transactions may consist of bids or purchases for the purposes of pegging, fixing or maintaining the price of the common stock.

The underwriters may create a short position in the common stock in connection with the offering, which means that they may sell more shares than are set forth on the cover page of this prospectus. If the underwriters create a short position, then the representatives may reduce that short position by purchasing common stock in the open market. The representatives also may elect to reduce any short position by exercising all or part of the over-allotment option.

The representatives also may impose a penalty bid on underwriters and selling group members. This means that, if the representatives purchase shares of common stock in the open market to reduce the underwriters' short position or to stabilize the price of the common stock, they may reclaim the amount of the selling concession from the underwriters and selling group members that sold those shares as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of these purchases. The imposition of a penalty bid might have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in an offering.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of

the common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any offers in Canada will be made only under an exemption from the requirements to file a prospectus in the relevant province of Canada in which the sale is made.

Purchasers of the shares of common stock offered in this prospectus may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

The underwriters have informed us that they do not intend to confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the shares of common stock offered by them.

At our request, the underwriters have reserved up to shares of the common stock offered by this prospectus for sale to our officers, directors, employees and their family members and to our business associates at the initial public offering price set forth on the cover page of this prospectus. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners has been named as a lead or co-manager on 63 filed public offerings of equity securities, of which 33 have been completed, and has acted as a syndicate member in an additional 32 public offerings of equity securities. Thomas Weisel Partners does not have any material relationship with us or any of our officers, directors or controlling persons, except with regard to its contractual relationship with us pursuant to the underwriting agreement entered into in connection with this offering.

LEGAL MATTERS

Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, will pass upon the validity of the issuance of the shares of common stock offered by this prospectus. Cooley Godward LLP will pass upon certain legal matters in connection with this offering for the Underwriters. Jeffrey D. Saper, a member of Wilson Sonsini Goodrich & Rosati, P.C., serves as our Secretary. As of the date of this prospectus, a member of Wilson Sonsini Goodrich & Rosati, P.C., owns a warrant exercisable into 112,500 shares of our common stock.

EXPERTS

The audited financial statements of Somera Communications LLC at December 31, 1997 and 1998 and June 30, 1999 and for the years ended December 31, 1996, 1997 and 1998 and six months ended June 30, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933 with respect to the shares to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to us and the shares to be sold in this offering, we refer you to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document to which we make reference, are not necessarily complete. In each instance we refer you to the copy of the contract, agreement or other document filed as an exhibit to the registration statement, and each statement is qualified in all respects by the more complete description.

You may read and copy all or any portion of the registration statement at the Commission's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices at 5670

Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Commission or call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our Commission filings, including the registration statement, will also be available to you on the Commission's Internet site, http://www.sec.gov.

We intend to send to our stockholders annual reports containing audited consolidated financial statements and quarterly reports containing unaudited financial statements for the first three quarters of each fiscal year.

SOMERA COMMUNICATIONS, LLC

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<TABLE>
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of
Somera Communications, LLC

In our opinion, the accompanying balance sheets and the related statements of operations, of members' capital (deficit) and of cash flows present fairly, in all material respects, the financial position of Somera Communications, LLC at December 31, 1997, 1998 and June 30, 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 and the six months ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

San Jose, California
September 9, 1999

To the Members of
Somera Communications, LLC

The accompanying financial statements included herein reflect the approval by the Company's members of the Company's 3 for 2 split of the Company's Class A

and Class B units as described in Note 10. The above opinion is in the form that will be signed by PricewaterhouseCoopers LLP upon the effectiveness of such event assuming that from September 9, 1999 to the effective date of such event, no other events shall have occurred that would affect the accompanying financial statements.

PricewaterhouseCoopers LLP
San Jose, California
September 9, 1999

SOMERA COMMUNICATIONS, LLC

BALANCE SHEETS
(in thousands, except per share data)

<TABLE>
<CAPTION>

	December 31,		June 30,	Pro-forma June 30, 1999 (Note 9)
	1997	1998	1999	
				(unaudited)
<S>	<C>	<C>	<C>	<C>
Assets				
Current assets:				
Cash and cash equivalents	$1,419	$ 1,930	$ 482	$ --
Accounts receivable, (net of allowance for doubtful accounts of $197, $249 and $458 at December 31, 1997, 1998 and June 30, 1999, respectively)	6,095	10,237	14,989	14,989
Inventories, net	1,456	4,067	9,994	9,994
Other current assets	169	186	229	229
Total current assets	9,139	16,420	25,694	25,212
Property and equipment, net	131	547	1,380	1,380
Deferred tax asset	--	--	--	17,000
Other assets	11	42	128	128
Total assets	$9,281	$ 17,009	$ 27,202	$ 43,720
Liabilities, Mandatorily Redeemable Class B Units and Members' Capital (Deficit)/Stockholders' Deficit				
Current liabilities:				
Accounts payable	$4,130	$ 5,901	$ 11,660	$ 11,660
Borrowings under revolving loan facility	--	--	779	9,363
Accrued commissions	262	496	950	950
Other accrued liabilities	145	541	651	651
Capital lease obligations--current portion	--	--	179	179
Notes payable--current portion	--	--	1,500	--
Total current liabilities	4,537	6,938	15,719	22,803
Capital lease obligations--net of current portion	--	--	541	541
Notes payable--net of current				

portion	957	3,457	1,957	--
Term debt	--	--	--	49,250
Total liabilities	5,494	10,395	18,217	72,594
Commitments (Note 5)				
Mandatorily redeemable Class B units	--	51,750	51,750	--
Members' Capital (Deficit)/Stockholders' Deficit				
Members' capital (deficit)	3,787	(45,136)	(42,765)	--
Common stock: $0.001 par value				
Shares authorized: pro forma 200,000 (unaudited)				
Shares issued and outstanding 38,063 pro forma (unaudited)	--	--	--	38
Additional paid in capital	--	--	--	69,435
Accumulated deficit	--	--	--	(98,347)
Total members' capital (deficit)/stockholders' deficit	3,787	(45,136)	(42,765)	(28,874)
Total liabilities and members' capital (deficit)/stockholders' deficit	$9,281	$ 17,009	$ 27,202	$ 43,720

</TABLE>

The accompanying notes are an integral part of these financial statements.

SOMERA COMMUNICATIONS, LLC

STATEMENTS OF OPERATIONS
(in thousands, except per unit data)

<TABLE>
<CAPTION>

	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Net revenue	$ 10,149	$ 34,603	$ 72,186	$ 34,417	$ 52,834
Cost of net revenue	5,532	20,587	43,132	21,037	34,023
Gross profit	4,617	14,016	29,054	13,380	18,811
Operating expenses:					
Sales and marketing	780	2,593	5,747	2,394	4,385
General and administrative	696	1,648	3,939	1,326	2,999
Stock based compensation	--	--	--	--	193
Total operating expenses	1,476	4,241	9,686	3,720	7,577
Income from operations	3,141	9,775	19,368	9,660	11,234
Interest expense, net	18	82	187	75	144

Net income.....	$ 3,123	$ 9,693	$ 19,181	$ 9,585	$ 11,090
Pro-forma net income per unit--basic.....	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average units--basic.....	37,500	38,052	38,063	38,063	38,063
Pro-forma net income per unit--diluted.....	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma weighted average units--diluted.....	37,500	38,052	38,063	38,063	38,069

</TABLE>

The accompanying notes are an integral part of these financial statements.

SOMERA COMMUNICATIONS, LLC

STATEMENT OF MEMBERS' CAPITAL (DEFICIT)
(in thousands)

<TABLE>
<CAPTION>

	Class A Units		Class B Units			Mandatorily Redeemable Class B Units	
	Number	Value	Number	Value	Total Members' Capital (Deficit)	Number	Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, January 1, 1996.....	10,099	$ 68	--	$ --	$ 68	--	$ --
Capital contributed.....	23,651	367	3,750	46	413	--	--
Net income.....	--	2,811	--	312	3,123	--	--
Distributions to members.....	--	(2,118)	--	(235)	(2,353)	--	--
Balances, December 31, 1996.....	33,750	1,128	3,750	123	1,251	--	--
Capital contributed.....	563	300	--	--	300	--	--
Net income.....	--	8,738	--	955	9,693	--	--
Distributions to members.....	--	(6,723)	--	(734)	(7,457)	--	--
Balances, December 31, 1997.....	34,313	3,443	3,750	344	3,787	--	--
Conversion of Class B units to Class A units.....	2,501	344	(2,501)	(344)	--	--	--
Proceeds from issuance of new units.....	--	--	--	--	--	14,070	51,750
Repurchase of members' units.....	(12,821)	(51,750)	(1,249)	--	(51,750)	--	--
Net income.....	--	11,590	--	7,591	19,181	--	--
Distributions to							

members.....	--	(14,986)	--	(1,368)	(16,354)	--	--
Balances, December 31, 1998.....	23,993	(51,359)	--	6,223	(45,136)	14,070	51,750
Net income.....	--	6,991	--	4,099	11,090	--	--
Distributions to members.....	--	(5,618)	--	(3,294)	(8,912)	--	--
Warrants issued in exchange for services..	--	193	--	--	193	--	--
Balances, June 30, 1999.....	23,993	$ (49,793)	--	$ 7,028	$ (42,765)	14,070	$ 51,750

</TABLE>

The accompanying notes are an integral part of these financial statements.

SOMERA COMMUNICATIONS, LLC

STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
				(Unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net income.....	$ 3,123	$ 9,693	$ 19,181	$ 9,585	$ 11,090
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	25	54	137	46	94
Provision for doubtful accounts.....	49	145	52	113	209
Provision for write-downs of inventories.....	35	10	12	327	539
Warrants issued in exchange for services.....	--	--	--	--	193
Training costs financed by capital lease.....	--	--	--	--	65
Changes in operating assets and liabilities:					
Accounts receivable.....	(2,159)	(4,038)	(4,194)	(4,104)	(4,961)
Inventories.....	(927)	(529)	(2,623)	(1,598)	(6,466)
Other current assets.....	(310)	141	(17)	(209)	(43)
Accounts payable.....	1,736	2,352	1,771	2,899	5,759
Accrued commissions.....	112	150	234	257	454
Other accrued liabilities.....	76	66	396	91	110
Net cash provided by					

operating activities.....	1,760	8,044	14,949	7,407	7,043
Cash flows from investing activities:					
Acquisition of property and equipment.....	(124)	(85)	(553)	(233)	(272)
Decrease (increase) in other assets	(13)	5	(31)	(65)	(86)
Net cash used in investing activities.....	(137)	(80)	(584)	(298)	(358)
Cash flows from financing activities:					
Payments on line of credit..	(32)	--	--	--	--
Proceeds from issuance of mandatorily redeemable class B units.....	413	300	51,750	--	--
Proceeds from revolving loan facility.....	--	--	--	--	779
Repurchase of members' capital.....	--	--	(51,750)	--	--
Proceeds from notes payable.....	662	295	2,500	1,500	--
Distributions to members....	(2,353)	(7,457)	(16,354)	(8,063)	(8,912)
Net cash used in financing activities.....	(1,310)	(6,862)	(13,854)	(6,563)	(8,133)
Net increase (decrease) in cash and cash equivalents...	313	1,102	511	546	(1,448)
Cash and cash equivalents, beginning of year.....	4	317	1,419	1,419	1,930
Cash and cash equivalents, end of year.....	$ 317	$ 1,419	$ 1,930	$ 1,965	$ 482
Supplemental disclosures of cash flow information:					
Cash paid during the year for Interest.....	$ 14	$ 98	$ 201	$ 81	$ 175
Fixed assets acquired under capital lease.....	$ --	$ --	$ --	$ --	$ 655

</TABLE>

The accompanying notes are an integral part of these financial statements

SOMERA COMMUNICATIONS, LLC

Notes To Financial Statements

Note 1--Formation and Business of the Company:

Somera Communications, LLC (the "Company") was formed as a Limited Liability Company in 1995 under the laws of the State of California. The Company is a

provider of telecommunications infrastructure equipment and services to telecommunications carriers. The Company provides customers with a combination of new, de-installed and refurbished equipment.

Note 2--Summary of Significant Accounting Policies:

Basis of Presentation

Commencing with fiscal 1997, the Company's fiscal years are on a 52 or 53 week basis. The 1997 and 1998 years which ended on December 28, 1997 and January 3, 1999 were 52 and 53 week periods, respectively. The six months presented ended on June 28, 1998 and July 4, 1999, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized upon shipment of the equipment if remaining obligations are insignificant and collection of the resulting receivable is probable. Estimated equipment returns and warranty costs, which are based on the historical experience of the Company, are recorded upon recognition of revenue where significant.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. Members are taxed individually on their share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the regulations of the Company.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments which potentially expose the Company to a concentration of credit risk principally consist of cash and cash equivalents and accounts receivable. The Company places its temporary cash with two high credit quality financial institutions in the United States. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral.

During the year ended December 31, 1996 one customer accounted for 11.4% of net revenue. During the year ended December 31, 1997 one customer accounted for 10.1% of net revenue. During the year ended December 31, 1998 one customer accounted for 10.2% of net revenue and 12.0% of the total accounts receivable at December 31, 1998. No individual customer accounted for more than 10% of net revenue in the six months ended June 30, 1999.

During the six months ended June 30, 1999 one supplier accounted for 11.0% of new, de- installed and refurbished equipment purchases.

Financial Instruments

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, borrowing under revolving loan facility, accounts payable and notes payable approximate fair value due to their short-term maturities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with an original or remaining maturity of three months or less, at the date of purchase, to be cash equivalents.

Inventories

Inventories, which are comprised of finished goods held for resale, are stated at the lower of cost (determined on an average cost basis) or net realizable value. Inventories are stated net of provisions for obsolete and slow moving items.

Property and Equipment

Property and equipment are recorded at cost and are stated net of accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. These lives vary from three to seven years.

Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or remaining lease term on a straight-line basis.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life are capitalized. Gains and losses on dispositions of property and equipment are included in net income.

During 1999 the Company adopted the provisions of Accounting Standards Executive Committee ("AcSEC") Statement of Position ("SOP") 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Any costs capitalized are depreciated on a straight-line basis over the lesser of the estimated useful life of three years or the term of the lease.

Stock-based Compensation

The Company uses the intrinsic value method of Accounting Principles Board Opinion No. 25 or APB 25, "Accounting for Stock Issued to Employees," in accounting for its employee stock options, and presents disclosure of pro forma information required under Statement of Financial Accounting Standards No. 123 or SFAS 123, "Accounting for Stock-Based Compensation."

Pro-forma Net Income Per Unit

Basic net income per unit is computed by dividing the net income for the period by the weighted average number of units outstanding during the period. Diluted net income per unit is computed by dividing the net income for the period by the weighted average number of units and equivalent units outstanding

during the period. Equivalent units, composed of units issuable upon the exercise of options and warrants, are included in the diluted net income per unit computation to the extent such units are dilutive. A reconciliation of the numerator and denominator used in the calculation of basic and pro-forma diluted net loss per unit follows (in thousands, except per unit data):

<TABLE>
<CAPTION>

	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
				(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Numerator					
Net income	$ 3,123	$ 9,693	$19,181	$ 9,585	$11,090
Denominator					
Pro-forma weighted average units--basic	37,500	38,052	38,063	38,063	38,063
Pro-forma diluted effect of options and warrants to purchase units	--	--	--	--	6
Pro-forma weighted average units--diluted	37,500	38,052	38,063	38,063	38,069
Pro-forma net income per unit--basic	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29
Pro-forma net income per unit--diluted	$ 0.08	$ 0.25	$ 0.50	$ 0.25	$ 0.29

</TABLE>

Comprehensive Income

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 130 or SFAS No. 130, "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity during a period from non-owner sources. There was no difference between the Company's net income and its total comprehensive income for the years ended December 31, 1996, 1997 and 1998 and for the six months ended June 30, 1998 (unaudited) and June 30, 1999.

Unaudited Interim Results

The accompanying interim financial statements for the period ended June 30, 1998 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the option of management, reflect all adjustments, which include

only normal recurring adjustments, necessary to present fairly in all material respects the Company's results of operations and its cash flows for the six months ended June 30, 1998. The financial data and other information disclosed

in these notes to financial statements related to this period are unaudited.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 or SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statement of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. SFAS 133 will be effective for fiscal years beginning after June 15, 2000. The Company does not currently hold derivative instruments or engage in hedging activities.

Note 3--Balance Sheet Accounts (in thousands):

<TABLE>
<CAPTION>

	December 31,		June 30,
	1997	1998	1999
<S>	<C>	<C>	<C>
Property and equipment, net			
Computer and telephone equipment	$ 142	$ 486	$ 1,265
Office equipment and furniture	32	124	191
Warehouse equipment	28	73	75
Leasehold improvements	8	80	159
	210	763	1,690
Less accumulated depreciation and amortization	(79)	(216)	(310)
	$ 131	$ 547	$ 1,380

</TABLE>

Depreciation and amortization expense for the years ended December 31, 1996, 1997 and 1998 and the six months ended June 30, 1998 and 1999 amounted to $25,000, $54,000, $137,000, $46,000 (unaudited) and $94,000, respectively.

Included in computer and telephone equipment is an amount of approximately $655,000 representing assets held under capital lease as of June 30, 1999. This amount represents costs incurred to date in respect of software, hardware and related costs arising from the implementation of the Company's new accounting system. No depreciation or amortization has been charged on these amounts for the six months ended June 30, 1999 as the implementation was not complete.

Note 4--Notes Payable:

Included within notes payable are amounts payable to two of the Company's members. At December 31, 1997 and 1998 and June 30, 1999, the aggregate amount of notes payable to these members was $319,000, $619,000 and $619,000, respectively.

In March 1998, the Company issued a $1,000,000 note payable to an outside partnership, of which a member is a general partner. This amount remains outstanding at December 31, 1998 and June 30, 1999.

Interest is payable monthly on all notes at rates varying between 8% and 13%, and all notes mature at dates between 2000 and 2002. Repayment terms are interest only with principal due on maturity date. The notes are unsecured.

Repayments due on notes payable in each of the next three years are as follows (in thousands):

<TABLE>
<CAPTION>

Year Ending December 31,	
<S>	<C>
2000	$2,500
2001	585
2002	372
	3,457
Less: current portion	(1,500)
Notes payable--net of current portion	$1,957

</TABLE>

On October 8, 1997, the Company entered into a revolving line of credit facility of $2,500,000. There were no borrowings on this facility during each of the years ended December 31, 1997 and 1998. On January 12, 1999, the Company replaced this facility with a new revolving line of credit with the same bank. The facility includes a fixed amount of $2,000,000 plus an amount based on a percentage of eligible accounts receivable and inventory with a maximum amount of $17,000,000 available. The facility matures on January 31, 2001 and bears interest at LIBOR plus 2% (7.75% at June 30, 1999). Any drawings on this facility are collateralized by all assets of the Company. There was $779,000 outstanding on this facility at June 30, 1999.

Note 5--Commitments:

The Company is obligated under several operating leases for both office and warehouse space. The lease terms range in length from five years to seven years. Rent expense, net of sublease income, for the years ended December 31, 1996, 1997 and 1998 and for the six months ended June 30, 1998 and 1999 was $60,000, $131,000, $297,000, $127,000 (unaudited) and $234,000, respectively.

On June 1, 1999, the Company entered into a five year lease for new warehouse space. The lease terms include two options to renew for three years and rentals of $38,000 are due on a monthly basis.

Future minimum lease payments, under noncancelable operating and capital leases at June 30, 1999 are as follows (in thousands):

<TABLE>

<CAPTION>

	Capital Leases	Operating Leases
<S>	<C>	<C>
1999	$ 91	$ 466
2000	273	926
2001	272	918
2002	182	918
2003	--	706
Thereafter	--	451
Total minimum lease payments	818	$ 4,385
Less amount representing interest	(98)	
Present value of capital lease obligations	720	
Less current portion	(179)	
Capital lease obligations--net of current portion	$ 541	

</TABLE>

Under the terms of the lease agreements, the Company is also responsible for internal maintenance, utilities and a proportionate share (based on square footage occupied) of property taxes. The Company is also exposed to credit risk in the event of default of the subleasee, because the Company is still liable to meet its obligations under the terms of the original lease agreement.

Note 6--Members' Capital (Deficit):

Members' capital includes two classes of units--Class A and Class B. At December 31, 1997 there were 34,313,000 Class A and 3,750,000 Class B units outstanding. At December 31, 1998 and June 30, 1999 there were 23,993,000 Class A units and 14,070,000 Class B units outstanding. Each unit represents the members proportionate allocation of net income or net loss.

On July 24, 1998, the Company authorized the issuance and sale of an aggregate of 14,070,000 Class B units, which represented 36.97% of the outstanding units. Consideration of $51,750,000 was received in cash for the sale of these units. The Company then authorized the repurchase of an aggregate of 12,821,000 Class A units and an aggregate of 1,249,000 Class B units for an aggregate amount of $51,750,000. Each of the remaining 2,501,000 Class B units were exchanged for one Class A unit.

The Class A units participate in the net income of the company based on their percentage ownership. In addition, the holder of each Class A unit is entitled to one vote per unit. The Class B units outstanding at June 30, 1999 differ from the Class A units as follows:

(a) On a change in ownership the Class B unit holders may elect to redeem all or any part of the Class B units at an amount equal to the greater of:

(i) the original cost thereof; or

(ii) an amount equal to the number of Class B units to be redeemed multiplied by the maximum consideration payable with respect to any unit in such a change of ownership.

(b) In the event of the bankruptcy of the Company, all of the Class B units are subject to immediate redemption at a price equal to the original cost thereof.

(c) The Class B units convert automatically on the closing of a firm commitment underwritten public offering of the Company's (or a corporate successor's) equity securities resulting in proceeds to the Company or such corporate successor (net of underwriting discounts and commissions and related offering expenses) of at least $30 million at a price per share to the public of at least 200% of the original cost of each Class B unit.

(d) In a winding up or liquidation of the Company, the Class B units are paid out in preference to the Class A units up to the amount of the original cost of the Class B units.

The members' liability is limited to the total balance held in the members' capital account.

In May 1999, the Company effected a 2,500-for-1 split of the then outstanding Class A and Class B units. The effect of this split has been retroactively reflected throughout the financial statements.

Warrants

In May 1999, warrants exercisable into 95,155 Class A units were issued in consideration for recruitment services. The warrants become fully exercisable upon a merger or consolidation of the Company or upon completion of the Company's initial public offering. The warrants are exercisable at $7.57 per unit and have a two year term. The fair value of the warrants of approximately $193,000 has been recorded as an expense in the six months ended June 30, 1999. This was estimated using the Black-Scholes model and the following assumptions: dividend yield of 0%; volatility of 40%; risk free interest rate of 5.58% and a term of two years.

Unit Option Plan

In May 1999 the Company adopted the 1999 unit option plan (the "Plan") under which 2,003,000 Class A units were reserved for issuance of stock options to employees, directors, or consultants under terms and provisions established by the Board of Managers. Under the terms of the Plan, incentive options may be granted to employees, and nonstatutory options may be granted to employees, directors and consultants, at prices no less than 100% and 85%, respectively, of the fair market value of the Class A units at the date of grant, as determined by the Board of Members. Options granted under the Plan vest at a rate of 25% after one year with the remaining vesting evenly over the next three years. The options expire ten years from the date of grant.

Activity under the Plan is set forth below:

<TABLE>
<CAPTION>

		Options Outstanding			
	Available for Grant	Units	Price per Unit	Weighted Average Exercise Price	Remaining Contractual Life
<S>	<C>	<C>	<C>	<C>	<C>

Units reserved at plan inception, May 1999.....	2,003,000				
Options granted.....	(660,000)	660,000	$7.57	$7.57	9.9
Balances, June 30, 1999.....	1,343,000	660,000	$7.57	$7.57	9.9

At June 30, 1999 no options outstanding were exercisable. The weighted average fair value of options granted during the six months ended June 30, 1999 was $1.84 per unit.

Pro-forma Unit Compensation

The Company has adopted the disclosure-only provisions of SFAS 123 for option grants to employees. Had compensation cost been determined based on the fair value at the grant date for the awards in 1999 consistent with the provisions of SFAS 123, the Company's net income for 1999 would have been as follows (in thousands, except per unit data):

	Six Months Ended June 30, 1999
Net income--as reported.....	$11,090
Net income--as adjusted.....	$11,052
Net income per unit--basic as reported.....	$ 0.29
Net income per unit--basic as adjusted.....	$ 0.29
Net income per unit--diluted as reported.....	$ 0.29
Net income per unit--diluted as adjusted.....	$ 0.29

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes option pricing model as prescribed by SFAS 123 using the following assumptions:

	Six Months Ended June 30, 1999
Risk-free interest rate.....	5.65%
Expected life (in years).....	5
Dividend yield.....	0%
Expected volatility.....	0%

As the determination of fair value of all options granted after such time as the Company becomes a public entity will include an expected volatility factor in addition to the factors described in the preceding paragraph, the above results may not be representative of future periods.

Note 7--401(k) Savings Plan:

In February 1998, the Company adopted a 401(k) Savings Plan (the "Savings Plan") which covers all employees. Under the Savings Plan, employees are permitted to contribute up to 20% of gross compensation not to exceed the annual IRS limitation for any plan year ($10,000 in 1998). The Company matches 25% of employee contributions for all employees who receive less than 50% of their total compensation in the form of commissions. The Company made matching contributions of $15,000, $5,000 (unaudited) and $8,000 for the year ended December 31, 1998 and for the six months ended June 30, 1998 and 1999, respectively.

Note 8--Geographic Information:

The Company has adopted Statement of Financial Accounting Standards No. 131, or SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," effective for fiscal years

beginning after December 31, 1997. SFAS 131 supersedes Statement of Financial Accounting Standards No. 14, or SFAS 14, "Financial Reporting for Segments of a Business Enterprise." SFAS 131 changes current practice under SFAS 14 by establishing a new framework on which to base segment reporting and also requires interim reporting of segment information. Management uses one measurement of profitability for its business. The Company markets products and related services to customers in the United States, North America, Europe and Latin America.

Net revenue information by geographic area is as follows (in thousands):

<TABLE>
<CAPTION>

	Net Revenue
<S>	<C>
Year ended December 31, 1996:	
United States	$ 9,454
Canada	392
Latin America	302
Other	1
Total	$10,149
Year Ended December 31, 1997:	
United States	$28,907
Canada	409
Latin America	5,204
Other	83
Total	$34,603
Year Ended December 31, 1998:	
United States	$57,958
Canada	895
Latin America	13,051
Other	282

Total	$72,186
Six Months Ended June 30, 1999:	
United States	$45,760
Canada	1,178
Latin America	5,547
Other	349
Total	$52,834

</TABLE>

All long lived assets are maintained in the United States.

Note 9--Unaudited Pro-forma Balance Sheet Data:

Prior to the effectiveness of the public offering by Somera Communications, Inc., a Delaware Corporation, the unit holders of the Company will exchange all of their outstanding units for shares of common stock of the Delaware Corporation, and the corporation will succeed the limited liability company. Prior to this exchange the Company has made a distribution to its members of approximately $48.5 million financed by a new term loan. In addition the Company repaid the notes payable discussed in Note 4 to these financial statements. The pro-forma effect of this reorganization, the new term loan, the payment of the above distribution, the repayment of the notes payable together with the payment of the July distribution to members have been presented as a separate column in the Company's balance sheet assuming that the reorganization had occurred at June 30, 1999.

Note 10--Subsequent Events:

Distribution to Members

In July 1999 the Company paid a distribution to members of approximately $6,359,000.

Loan to Officer

On July 12, 1999 the Company entered into a mortgage loan agreement under which it advanced $600,000 to an officer of the Company. The mortgage loan has a term of eight years, is interest free and is secured on the principal residence of the officer. Under the terms of the mortgage loan the amount advanced will be forgiven as to $50,000 on each of the first four anniversaries of the note and $100,000 on each of the fifth through eighth anniversaries.

The loan can be forgiven in full in the event that the officer's employment is either terminated without cause or is constructively terminated within 12 months of a change in control of the Company. If the officer's employment with the Company ceases for any other reason, including death or disability, the remaining balance becomes repayable to the Company. The term of repayment is dependent upon the reason for the officer's employment ceasing and ranges from six to eighteen months from the date of termination of employment.

As a result of the above, the Company will record a compensation charge equal to the amount forgiven for each period the loan is outstanding.

Option Grants and Warrant Issuance

On July 13, 1999, the Company issued stock options to two officers and one outside director resulting in unearned stock-based compensation of $830,000 which will be recorded and amortized over the vesting period, generally four years of the underlying options. The charge will be amortized to net income as follows: $244,000 for the remainder of 1999, $367,000 on 2000, $148,000 in 2001, $63,000 in 2002 and $8,000 in 2003. In addition, the Company issued a warrant to purchase 112,500 shares of common stock in exchange for services. The warrants were immediately vested and will result in a one-time charge of $337,000 to be recorded in the Company's third quarter results.

Term Loan and Revolving Loan Facility

On August 31, 1999, the Company signed an agreement under which a syndicate of banks provided a $50 million term loan and $15 million revolving loan facility.

The term loan matures on August 31, 2004 and the Company is required to make quarterly payments of principal and interest. The term loan and revolving credit facility are secured by all of the Company's assets.

Distribution to Members and Repayment of Notes Payable

On August 31, 1999, the Company paid a distribution of $48.5 million to its members. In addition, the Company repaid the notes payable described in Note 4 to these financial statements.

Stock Split

On September 9, 1999 the Company approved a 3 for 2 split of its Class A and B units which will be effected prior to any exchange of outstanding units for shares of common stock of Somera Communications, Inc. ("Somera Delaware"), a Delaware Corporation. All unit data and unit option plan information have been restated to reflect the effect of the forward split.

On September 9, 1999 the Board of Managers resolved to take all actions necessary to assist Somera Delaware in the preparation, execution and filing with the Securities and Exchange Commission under the Securities Act of 1933, as amended, a Registration Statement on Form S-1 relating to the public offering by Somera Delaware of up to $115 million of its authorized but unissued shares of Common Stock.

Shares

[SOMERA LOGO]

Common Stock

PROSPECTUS
, 1999

Lehman Brothers

Dain Rauscher Wessels
a division of Dain Rauscher Incorporated

Thomas Weisel Partners LLC

Part II

Information Not Required In Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the Registrant in connection with the sale of the securities being registered. All amounts are estimates except the SEC registration fee, the NASD filing fee and the Nasdaq/National Market System listing fee.

<TABLE>

<S>	<C>
SEC Registration Fee	$31,970
NASD Filing Fee	12,000
Nasdaq National Market Listing Fee	*
Printing Costs	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Miscellaneous	*
Total	$ *

</TABLE>

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* To be filed by amendment

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended. Article IX of our Amended and Restated Certificate of Incorporation (Exhibit 3.2 hereto) and Article VI of our current Bylaws (Exhibit 3.3 hereto) provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by Delaware law. In addition, we have entered into Indemnification Agreements (Exhibit 10.1 hereto) with our officers and directors. The Underwriting Agreement (Exhibit 1.1) also provides for cross-indemnification among Somera Communications, Inc. and the Underwriters with respect to certain matters, including matters arising under the Securities Act.

Item 15. Recent Sales of Unregistered Securities.

Since August 1996, the company has issued and sold the following securities:

1. In April 1997, the company issued an aggregate of 563,000 of its Class A units to 3 investors for an aggregate cash consideration of $300,000.

2. On July 23, 1998, the company issued an aggregate of 14,070,000 of its Class B units to 8 accredited investors for an aggregate cash consideration of $51,750,000.

3. On May 6, 1999, the company issued a warrant to purchase 95,155 of its Class A units with an exercise price of $7.57 per share to a party in partial consideration for the rendering of professional services to the company.

4. On July 13, 1999, the company issued a warrant to purchase 112,500 of its Class A units with an exercise price of $8.50 per unit to a party in partial consideration for the rendering of professional services to the company.

The issuances of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act, or Regulation D promulgated thereunder, or with respect to issuances to employees, directors and consultants, Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. All recipients either received adequate information about us or had adequate access, through their relationships with us, to information about us.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

<TABLE>

<C>	<S>
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Somera Communications, Inc., a Delaware corporation, as currently in effect.
3.2	Form of Amended and Restated Certificate of Incorporation of Somera Communications, Inc. to be filed immediately following the closing of the offering made under this registration statement.
3.3	Bylaws of Somera Communications, Inc., as currently in effect.
4.1*	Specimen common stock certificate.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.
10.1	Form of Indemnification Agreement between Somera Communications, Inc. and each of its directors and officers.
10.2	1999 Stock Option Plan and form of agreements thereunder (as adopted September 3, 1999).
10.3	1999 Employee Stock Purchase Plan (as adopted September 3, 1999).
10.4	1999 Director Option Plan and form of agreements thereunder (as adopted September 3, 1999).
10.5	Loan Agreement by and between Somera Communications and Fleet National Bank, dated August 31, 1999.
10.6	Security Agreement by and between Somera Communications and Fleet National Bank, dated August 31, 1999.
10.7	Employment Agreement between Somera Communications and Jeffrey Miller, dated May 6, 1999.
10.8	Employment Agreement between Somera Communications and Gary Owen,

dated July 16, 1999.
10.9 Lease dated January 20, 1998 between Santa Barbara Corporate Center, LLC and Somera Communications.
10.10 First Amendment to Lease, dated February 2, 1998, between Santa Barbara Corporate Center, LLC and Somera Communications.
10.11 Second Amendment to Lease, dated February 1, 1999, between Santa Barbara Corporate Center, LLC and Somera Communications.
10.12* Industrial/Commercial Lease, dated May 12, 1999, between Sunbelt Properties and Somera Communications.
10.13 Sublease, dated January 30, 1999, between GRC International, Inc. and Somera Communications.
23.1 Consent of PricewaterhouseCoopers LLP.
23.2* Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1).
24.1 Powers of Attorney (included on signature page to Registration Statement).
27.1 Financial Data Schedule.
</TABLE>

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*To be supplied by amendment.

(b) Financial Statement Schedules.

<TABLE>
<CAPTION>

Schedule	
<S>	<C>
II - Valuation and Qualifying Accounts	

</TABLE>

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this

registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Barbara, State of California on September 10, 1999.

By:
/s/ Daniel A. Firestone

Daniel A. Firestone
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, Daniel A. Firestone and Gary J. Owen, and each of them, as his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and any and all registration statements filed pursuant to Rule 462 under the Securities Act of 1933, as amended, in connection with or related to the offering contemplated by this registration statement and its amendments, if any, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming their signatures as they may be signed by our said attorney to any and all amendments to said registration statement.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on September 10, 1999:

<TABLE>
<CAPTION>

Signatures	Title	
<S>	<C>	<C>
/s/ Daniel A. Firestone Daniel A. Firestone	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	
/s/ Gary J. Owen Gary J. Owen	Chief Financial Officer (Principal Financial and Accounting Officer)	
/s/ Gil Varon Gil Varon	Director	
/s/ Walter G. Kortschak	Director	

Walter G. Kortschak

/s/ Peter Y. Chung — Director

Peter Y. Chung

/s/ Barry Phelps — Director

Barry Phelps

</TABLE>

SCHEDULE II

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Members
of Somera Communications, LLC:

Our audits of the financial statements referred to in our report dated September 9, 1999 appearing in this Registration Statement on Form S-1 also included an audit of the financial statement schedule listed in Item 16 of this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

PricewaterhouseCoopers LLP

San Jose, California
September 9, 1999

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at Ending of Period
<S>	<C>	<C>	<C>	<C>
Year Ended December 31, 1996				
Allowance for sales returns.....	$ 1	$ 79	$ 41	$ 39
Allowance for doubtful accounts..	3	49	--	52
Allowance for write-downs of inventory.....	--	163	128	35
Year Ended December 31, 1997				
Allowance for sales returns.....	$ 39	$249	$138	$150
Allowance for doubtful accounts..	52	145	--	197
Allowance for write-downs of inventory	35	370	360	45
Year Ended December 31, 1998				
Allowance for sales returns.....	$150	$424	$289	$285
Allowance for doubtful accounts..	197	201	149	249
Allowance for write-downs of				

inventory.....	45	634	622	57
Six Months Ended June 30, 1999				
Allowance for sales returns.....	$285	$276	$211	$350
Allowance for doubtful accounts..	249	209	--	458
Allowance for write-downs of inventory.....	57	615	76	596

</TABLE>

Exhibit Index

<TABLE>
<CAPTION>

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Somera Communications, Inc., a Delaware corporation, as currently in effect.
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23.1	Consent of PricewaterhouseCoopers LLP
23.2*	Consents of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1)
24.1	Powers of Attorney (included on signature page to Registration Statement)
27.1	Financial Data Schedule

</TABLE>

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*To be supplied by amendment.

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

SOMERA COMMUNICATIONS, INC.,
a Delaware corporation

ARTICLE I

The name of this corporation is Somera Communications, Inc. (the "Corporation").

ARTICLE II

The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19081. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

This Corporation is authorized to issue one class of stock, designated as Common Stock and consisting of 100 shares, par value $0.001 per share.

ARTICLE V

The Corporation is to have perpetual existence.

ARTICLE VI

Except as otherwise provided in this Certificate of Incorporation, the Board of Directors may make, repeal, alter, amend or rescind any or all of the Bylaws of the Corporation.

ARTICLE VII

The number of directors which constitute the whole Board of Directors shall be designated in the Bylaws of the Corporation.

ARTICLE VIII

Elections of directors at an annual or special meeting need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws of the Corporation shall so provide.

ARTICLE IX

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE X

The Corporation may amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute. All rights conferred on stockholders herein are granted subject to this reservation.

ARTICLE XI

To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law of Delaware is hereafter amended to authorize, with or without the approval of a corporation's stockholders, further reductions in the liability of the corporation's directors for breach of fiduciary duty, then a director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware as so amended.

Any repeal or modification of the foregoing provisions of this Article XI, by amendment of this Article XI or by operation of law, shall not adversely affect any right or protection of a director of the Corporation with respect to any acts or omissions of such director occurring prior to such repeal or modification.

ARTICLE XII

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees and other agents of the Corporation (and any other persons to which Delaware law permits the Corporation to provide

indemnification), through Bylaw provisions, agreements with any such director, officer, employee or other agent or other person, vote of stockholders or disinterested directors, or otherwise, in excess of the

indemnification and advancement otherwise permitted by Section 145 of the Delaware General Corporation Law, subject only to limits created by applicable Delaware law (statutory or nonstatutory), with respect to actions for breach of duty to a corporation, its stockholders and others.

Any repeal or modification of any of the foregoing provisions of this Article XII, by amendment of this Article XII or by operation of law, shall not adversely affect any right or protection of a director, officer, employee or other agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer or agent occurring prior to such repeal or modification.

ARTICLE XIII

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

/s/ Douglas Ingham

_____

Douglas Ingham, Incorporator
Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050

EXHIBIT 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF SOMERA COMMUNICATIONS, INC.

Somera Communications, Inc., a corporation organized and existing under the laws of the State of Delaware, does hereby certify:

A. The name of the corporation is Somera Communications, Inc., (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 23, 1999.

B. The amendment and restatement herein set forth has been duly approved by the Board of Directors of the Corporation pursuant to Sections 141 and 241 of the General Corporation Law of the State of Delaware ("Delaware Law"). Approval of this amendment and restatement was approved at a meeting of the Board of Directors. There are no stockholders of the Corporation and the Corporation has not received any payment for stock.

C. The restatement herein set forth has been duly adopted pursuant to Section 245 of the Delaware Law. This Amended and Restated Certificate of Incorporation restates and integrates and amends the provisions of the Corporation's Certificate of Incorporation.

D. The text of the Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

FIRST

The name of the corporation is Somera Communications, Inc. (the "Corporation").

SECOND

The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, Wilmington, County of New Castle, Delaware 19805. The name of its registered agent at such address is Corporation Service Company.

THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH

The Corporation is authorized to issue two classes of shares: Common Stock and Preferred Stock. The total number of shares which the Corporation is authorized to issue is two hundred twenty million (220,000,000) shares. The number of shares of Common Stock authorized is two hundred million (200,000,000) shares, $.001 par value. The number of shares of Preferred Stock authorized is twenty million (20,000,000) shares, $.001 par value.

The shares of Preferred Stock authorized by this Certificate of Incorporation may be issued from time to time in one or more series. For any wholly unissued series of Preferred Stock, the Board of Directors is hereby authorized to fix and alter the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption prices, liquidation preferences, the number of shares constituting any such series and the designation thereof, or any of them.

For any series of Preferred Stock having issued and outstanding shares, the Board of Directors is hereby authorized to increase or decrease the number of shares of such series when the number of shares of such series was originally fixed by the Board of Directors, but such increase or decrease shall be subject to the limitations and restrictions stated in the resolution of the Board of Directors ordinally fixing the number of shares of such series.

If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

FIFTH

The Corporation is to have perpetual existence.

SIXTH

Elections of directors need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws so provide.

SEVENTH

The number of directors which constitute the whole Board of Directors of the Corporation shall be fixed exclusively by one or more resolution adopted from time to time by the Board of Directors.

EIGHTH

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal

the Bylaws of the Corporation.

NINTH

A. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as it may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

B. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer, employee or agent of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

C. Neither any amendment nor repeal of this Article, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article

in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

TENTH

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ELEVENTH

Stockholders of the Corporation may not take action by written consent in lieu of a meeting but must take any actions at a duly called annual or special meeting.

TWELFTH

Vacancies created by newly created directorships, created in accordance with the Bylaws of this Corporation, may be filled by the vote of a majority, although less than a quorum, of the directors then in office, or by a sole remaining director.

THIRTEENTH

Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

FOURTEENTH

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by _____, its Secretary, on September ___, 1999.

_____
Jeffrey D. Saper

EXHIBIT 3.3

BYLAWS

OF

SOMERA COMMUNICATIONS, INC.
(a Delaware corporation)

BYLAWS

OF

SOMERA COMMUNICATIONS, INC.
(a Delaware corporation)

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The registered office of the corporation shall be fixed in the Certificate of Incorporation of the corporation.

1.2 OTHER OFFICES.

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING.

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation, the annual meeting of stockholders shall be held on the first Wednesday of May in each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected, and any other proper business may be transacted.

2.3 SPECIAL MEETING.

A special meeting of the stockholders may be called at any time by the board of directors, or by the chairman of the board, by the president or by the chief executive officer, or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting. At such time as the corporation files a Registration Statement with the Securities and Exchange Commission for the purpose of effecting the initial public offering of its common stock and such Registration Statement is declared effective by the Commission (such time is hereinafter referred to as the "Public Offering Date"), a special meeting of the stockholders may only be called by the board of directors, or by the chairman of the board, by the president or by the chief executive officer.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, chief executive officer, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5, that a meeting will be held at the time requested by the person or persons who called the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS.

Except as set forth in Section 2.3, all notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 2.5 of these bylaws

not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Written notice of any meeting of stockholders shall be given either personally or by first-class mail or by facsimile, telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of that stockholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that stockholder by mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a stockholder at the address of that stockholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the

United States Postal Service is unable to deliver the notice to the stockholder at that address, then all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the stockholder on written demand of the stockholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote thereat constitutes a quorum for the transaction of business at all meetings of stockholders. The stockholders present at a duly

called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7 ADJOURNED MEETING; NOTICE.

Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 2.6 of these bylaws.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than thirty (30) days from the date set for the original meeting, then notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.8 VOTING.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners, and to voting trusts and other voting agreements).

Except as may be otherwise provided in the Certificate of Incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of the stockholders. Any stockholder entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or, except when the matter is the election of directors, may vote them against the proposal; but, if the stockholder fails to specify the number of shares which the stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares which the stockholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented and voting at a duly held meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the stockholders, unless the vote of a greater number or a vote by classes is required by law or by the Certificate of Incorporation.

At a stockholders' meeting at which directors are to be elected, a stockholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such stockholder normally is entitled to cast) if the candidates' names have been placed in nomination prior to commencement of the voting and the stockholder has given notice prior to commencement of the voting of the stockholder's intention to cumulate votes. If any stockholder has given such a notice, then every stockholder entitled to vote may cumulate votes for candidates in nomination either (i) by giving one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that stockholder's shares are normally entitled or (ii) by distributing the stockholder's votes on the same principle among any or all of the candidates, as the stockholder thinks fit. The candidates receiving the highest number of affirmative votes, up to the number of directors to be elected, shall be elected; votes against any candidate and votes withheld shall have no legal effect. Notwithstanding the foregoing provisions of this paragraph, unless otherwise provided in the Certificate of Incorporation, a stockholder shall not be entitled to cumulate votes at any time following the Public Offering Date.

2.9 VALIDATION OF MEETINGS; WAIVER OF NOTICE; CONSENT.

The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. The waiver of notice or consent or approval need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise provided in the Certificate of Incorporation, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize

or take that action at a meeting at which all shares entitled to vote on that action were present and voted. Notwithstanding the foregoing provisions of this paragraph, unless otherwise provided in the Certificate of Incorporation, stockholders shall not be entitled to take action by written consent at any time following the Public Offering Date.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS.

For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a

record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date.

If the board of directors does not so fix a record date:

(a) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and

(b) the record date for determining stockholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action by the board has been taken, shall be at the close of business on the day on which the board adopts the resolution relating to that action.

The record date for any other purpose shall be as provided in Article VIII of these bylaws.

2.12 PROXIES.

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.13 INSPECTORS OF ELECTION.

Before any meeting of stockholders, the board of directors may appoint an inspector or inspectors of election to act at the meeting or its adjournment. If no inspector of election is so appointed, then the chairman of the meeting may, and on the request of any stockholder or a stockholder's proxy shall, appoint an inspector or inspectors of election to act at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting pursuant to the request of one (1) or more stockholders or proxies, then the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) receive votes, ballots or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine when the polls shall close;

(f) determine the result; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

2.14 Advance Notice of Stockholder Nominees and Stockholder Business

To be properly brought before an annual meeting or special meeting, nominations for the election of director or other business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For such nominations or other business to be considered properly brought before the meeting by a stockholder such stockholder must have given timely notice and in proper form of such stockholder's intent to bring such business before such meeting. To be timely, such stockholder's notice must be delivered to or mailed and received by the Secretary of the corporation not less than ninety (90) days prior to the meeting; provided, however, that in the event that less than one-hundred (100) days notice or prior public disclosure of the date of the meeting is given or made to stockholder, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure made. To be in proper form, a stockholder's notice to the secretary shall set forth:

(a) the name and address of the stockholder who intends to make the nominations or propose the business and, as the case may be, the name and address of the person or persons to be nominated or the nature of the business to be proposed;

(b) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or introduce the business specified in the notice;

(c) if applicable, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

(d) such other information regarding each nominee or each matter of business to be proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, or the matter been proposed or intended to be proposed by the Board of Directors; and

(e) if applicable, the consent of each nominee to serve as director of the corporation if so elected.

The chairman of the meeting may refuse to acknowledge the nomination of any person or the proposal of any business not made in compliance with the foregoing procedure.

ARTICLE III

DIRECTORS

3.1 POWERS.

Subject to the provisions of the General Corporation Law of Delaware and to any limitations in the Certificate of Incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The authorized number of directors shall be five (5) until changed, by a bylaw amending this Section 3.2, duly adopted by the board of directors or by the stockholders. The definite number of directors may be changed, or an indefinite number may be fixed without provision for a definite number, by a duly adopted amendment to the certificate of incorporation or by an amendment to this bylaw adopted by the vote of holders of a majority of the outstanding shares entitled to vote or by resolution of a majority of the board of directors.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in the bylaws.

3.3 CLASSES OF DIRECTORS

The directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the board of directors. At the first annual meeting of stockholders following the initial adoption of these bylaws, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the initial adoption of these bylaws, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the initial adoption of these bylaws, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected each for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this article, each directors shall serve until his successor is duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director.

3.4 RESIGNATION AND VACANCIES.

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Vacancies in the board of directors may be filled by a majority of the remaining directors, even if less than a quorum, or by a sole remaining director; however, a vacancy created by the removal of a director by the vote or written consent of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which

shares voting affirmatively also constitute a majority of the required quorum), or by the unanimous written consent of all shares entitled to vote thereon. Each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the Certificate of Incorporation or these bylaws:

(a) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply

to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 REMOVAL.

Subject to any limitations imposed by law or the Certificate of Incorporation, the Board of Directors, or any individual Director, may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the then outstanding shares of the capital stock of the corporation entitled to vote at an election of Directors.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

Regular meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

3.7 REGULAR MEETINGS.

Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

3.8 SPECIAL MEETINGS; NOTICE.

Special meetings of the board of directors for any purpose or purposes may

be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by facsimile, it shall be delivered personally or by telephone or by facsimile machine at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.9 QUORUM.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.12 of these bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of the Certificate of Incorporation and applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10 WAIVER OF NOTICE.

Notice of a meeting need not be given to any director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such directors. All such waivers, consents, and approvals shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the board of directors.

3.11 ADJOURNMENT.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

3.12 NOTICE OF ADJOURNMENT.

Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.9 of these bylaws, to the directors who were not present at the time of the adjournment.

3.13 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board.

3.14 FEES AND COMPENSATION OF DIRECTORS.

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.15 APPROVAL OF LOANS TO OFFICERS.

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing contained in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one (1) or more committees, each consisting of one (1) or more directors, to serve at the pleasure of the board. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, but no such committee shall have the power or authority to (i) amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.6 (place of meetings), Section 3.7 (regular meetings), Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment), Section 3.12 (notice of adjournment), and Section 3.13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS.

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, a chief executive officer, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The board of directors may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors at any regular or special meeting of the board or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

5.6 CHAIRMAN OF THE BOARD.

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no chief executive officer, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these bylaws.

5.7 CHIEF EXECUTIVE OFFICER.

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the chief executive officer shall be subject to the control of the board of directors and have general supervision, direction and control of the business. He or she shall preside at all meetings of the stockholders and, in the absence or non-existence of the chairman of the board, at all meetings of the board of directors. He or she shall have the general powers and duties of management usually vested in the office of the chief executive officer of a corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

5.8 PRESIDENT.

In the absence or disability of the chief executive officer, and if there is no chairman of the board, the president shall perform all the duties of the chief executive officer and when so acting shall have the power of, and be subject to all the restrictions upon, the chief executive officer. The president shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the chief executive officer or the chairman of the board.

5.9 VICE PRESIDENTS.

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be

prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

5.10 SECRETARY.

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and shareholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the

number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.11 CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS.

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such,

whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

7.2 INSPECTION BY DIRECTORS.

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director

is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS.

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the chief executive officer, president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING.

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any other lawful action (other than action by stockholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided by law.

If the board of directors does not so fix a record date, then the record date for determining stockholders for any such purpose shall be at the close of

business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2 CHECKS; DRAFTS; EVIDENCES OF INDEBTEDNESS.

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.3 CORPORATE CONTRACTS AND INSTRUMENTS: HOW EXECUTED.

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the chief executive officer, president or vice-president, and by the chief financial officer, the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in

the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.5 SPECIAL DESIGNATION ON CERTIFICATES.

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.6 LOST CERTIFICATES.

Except as provided in this Section 8.6, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require; the board may require indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

8.7 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of Delaware shall govern the construction of these bylaws. Without limiting the

generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX

AMENDMENTS

The original or other bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

ARTICLE X

DISSOLUTION

If it should be deemed advisable in the judgment of the board of directors of the corporation that the corporation should be dissolved, the board, after the adoption of a resolution to that effect by a majority of the whole board at any meeting called for that purpose, shall cause notice to be mailed to each stockholder entitled to vote thereon of the adoption of the resolution and of a meeting of stockholders to take action upon the resolution.

At the meeting a vote shall be taken for and against the proposed dissolution. If a majority of the outstanding stock of the corporation entitled to vote thereon votes for the proposed dissolution, then a certificate stating that the dissolution has been authorized in accordance with the provisions of Section 275 of the General Corporation Law of Delaware and setting forth the names and residences of the directors and officers shall be executed, acknowledged, and filed and shall become effective in accordance with Section 103 of the General Corporation Law of Delaware. Upon such certificate's becoming effective in accordance with Section 103 of the General Corporation Law of Delaware, the corporation shall be dissolved.

Whenever all the stockholders entitled to vote on a dissolution consent in writing, either in person or by duly authorized attorney, to a dissolution, no meeting of directors or stockholders shall be necessary. The consent shall be filed and shall become effective in accordance with Section 103 of the General Corporation Law of Delaware. Upon such consent's becoming effective in accordance with Section 103 of the General Corporation Law of Delaware, the corporation shall be dissolved. If the consent is signed by an attorney, then the original power of attorney or a photocopy thereof shall be attached to and filed with the consent. The consent filed with the Secretary of State shall have attached to it the affidavit of the secretary or some other officer of the corporation stating that the consent has been signed by or on behalf of all the stockholders entitled to vote on a dissolution; in addition, there shall be attached to the consent a certification by the secretary or some other officer of the corporation setting forth the names and residences of the directors and officers of the corporation.

ARTICLE XI

CUSTODIAN

11.1 APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES.

The Court of Chancery, upon application of any stockholder, may appoint one or more persons to be custodians and, if the corporation is insolvent, to be receivers, of and for the corporation when:

(a) at any meeting held for the election of directors the stockholders are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon qualification of their successors; or

(b) the business of the corporation is suffering or is threatened with irreparable injury because the directors are so divided respecting the management of the affairs of the corporation that the required vote for action by the board of directors cannot be obtained and the stockholders are unable to terminate this division; or

(c) the corporation has abandoned its business and has failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets.

11.2 DUTIES OF CUSTODIAN.

The custodian shall have all the powers and title of a receiver appointed under Section 291 of the General Corporation Law of Delaware, but the authority of the custodian shall be to continue the business of the corporation and not to liquidate its affairs and distribute its assets, except when the Court of Chancery otherwise orders and except in cases arising under Sections 226(a)(3) or 352(a)(2) of the General Corporation Law of Delaware.

* * * * * * *

EXHIBIT 10.1

SOMERA COMMUNICATIONS, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is entered into as of the _____ day of _____, 1999 by and between Somera Communications, Inc., a Delaware corporation (the "Company") and _____ ("Indemnitee").

RECITALS

A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for the Company's directors, officers, employees, agents and fiduciaries, the significant increases in the cost of such insurance, and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.

D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.

E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify

Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or
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arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter an "Indemnifiable Event") against any and all expenses
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(including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending,

being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest,
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assessments and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the
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obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if,
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when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be

entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company=s Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a

Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement or under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other
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provision of this Agreement other than Section 9 hereof, to the extent that

Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry or investigation referred to in Section (1)(a) hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee=s right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee=s power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has

liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be
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obligated hereunder to pay the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee=s expense and (ii) if (A) the employment of counsel by

Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to
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the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company=s Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement
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shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company=s right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of

the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of

this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for acts, omissions or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company=s Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee=s estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent

corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an

employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company=s then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation 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) at least 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, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require

and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or

thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee's material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, and shall be addressed if to the Indemnitee, at the Indemnitee's address as set forth beneath his signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum for adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to

give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Somera Communications, Inc.
a Delaware corporation

By:_____

Title:_____

Address: 5383 Hollister Avenue
Santa Barbara, CA 93111

AGREED TO AND ACCEPTED BY:

INDEMNITEE

_____
[Name]

Address: _____
_____
_____

EXHIBIT 10.2

SOMERA COMMUNICATIONS, INC.

1999 STOCK PLAN

1. Purposes of the Plan. The purposes of this 1999 Stock Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U. S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options or Stock Purchase Rights are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the common stock of the Company.

(g) "Company" means Somera Communications, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(i) "Director" means a member of the Board.

(j) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 181st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(o) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(p) "Notice of Grant" means a written or electronic notice evidencing certain terms and conditions of an individual Option or Stock Purchase Right grant. The Notice of Grant is part of the Option Agreement.

(q) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(r) "Option" means a stock option granted pursuant to the Plan.

(s) "Option Agreement" means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(t) "Option Exchange Program" means a program whereby outstanding Options are surrendered in exchange for Options with a lower exercise price.

(u) "Optioned Stock" means the Common Stock subject to an Option or Stock Purchase Right.

(v) "Optionee" means the holder of an outstanding Option or Stock

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Purchase Right granted under the Plan.

(w) "Parent" means a "parent corporation," whether now or hereafter
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existing, as defined in Section 424(e) of the Code.

(x) "Plan" means this 1999 Stock Plan.

(y) "Restricted Stock" means shares of Common Stock acquired pursuant
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to a grant of Stock Purchase Rights under Section 11 of the Plan.

(z) "Restricted Stock Purchase Agreement" means a written agreement
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between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(aa) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any
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successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(bb) "Section 16(b) " means Section 16(b) of the Exchange Act.

(cc) "Service Provider" means an Employee, Director or Consultant.

(dd) "Share" means a share of the Common Stock, as adjusted in
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accordance with Section 13 of the Plan.

(ee) "Stock Purchase Right" means the right to purchase Common Stock
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pursuant to Section 11 of the Plan, as evidenced by a Notice of Grant.

(ff) "Subsidiary" means a "subsidiary corporation", whether now or
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hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 13 of
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the Plan, the maximum aggregate number of Shares that may be optioned and sold under the Plan is 6,750,000 Shares, plus an annual increase to be added on the

first day of the Company's fiscal year equal to the lesser of (i) 4% of the outstanding Shares on such date, (ii) 2,500,000 Shares, or (iii) an amount determined by the Board. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under
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the Plan, whether upon exercise of an Option or Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. The Plan may be
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administered by different Committees with respect to different groups of Service Providers.

(ii) Section 162(m). To the extent that the Administrator
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determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify
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transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the

Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the
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Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options and Stock Purchase Rights may be granted hereunder;

(iii) to determine the number of shares of Common Stock to be covered by each Option and Stock Purchase Right granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option or Stock Purchase Right granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Stock Purchase Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to reduce the exercise price of any Option or Stock Purchase Right to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option or Stock Purchase Right shall have declined since the date the Option or Stock Purchase Right was granted;

(vii) to institute an Option Exchange Program;

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option or Stock Purchase Right (subject to Section 15(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(xi) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under

such conditions as the Administrator may deem necessary or advisable;

(xii) to authorize any person to execute on behalf of the Company any instrument equired to effect the grant of an Option or Stock Purchase Right previously granted by the Administrator;

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options or Stock Purchase Rights.

5. Eligibility. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Limitations.

(a) Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(b) Neither the Plan nor any Option or Stock Purchase Right shall confer upon an Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options:

(i) No Service Provider shall be granted, in any fiscal year of the Company, Options to purchase more than 1,000,000 Shares.

(ii) In connection with his or her initial service, a Service Provider may be granted Options to purchase up to an additional 1,000,000 Shares, which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 13.

(iv) If an Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 13), the cancelled Option will be counted against the limits set forth in subsections (i) and (ii) above. For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 19 of the Plan, the Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 15 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement. In the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Option Agreement. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock

Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall

be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and

(B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be tolled during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the

Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the

Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent that the Option is vested on the date of death. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, at the time of death, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately revert to the Plan. The Option may be exercised by the executor or administrator of the Optionee's estate or, if none, by the person(s) entitled to exercise the Option under the Optionee's will or the laws of descent or distribution. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically, by means of a Notice of Grant, of the terms, conditions and restrictions related to the offer, including the number of

Shares that the offeree shall be entitled to purchase, the price to be paid, and the time within which the offeree must accept such offer. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a shareholder, and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 of the Plan.

12. Non-Transferability of Options and Stock Purchase Rights. Unless determined otherwise by the Administrator, an Option or Stock Purchase Right may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option or Stock Purchase Right transferable, such Option or Stock Purchase Right shall contain such additional terms and conditions as the Administrator deems appropriate.

13. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by

each outstanding Option and Stock Purchase Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option applicable to any Shares purchased upon exercise of an Option or Stock Purchase Right shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option or Stock Purchase Right will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option or Stock Purchase Right, the Optionee shall fully vest in and have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or Stock Purchase Right becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee in writing or electronically that the

Option or Stock Purchase Right shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

14. Date of Grant. The date of grant of an Option or Stock Purchase Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the

Plan prior to the date of such termination.

16. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

17. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

EXHIBIT 10.3

SOMERA COMMUNICATIONS, INC.

1999 EMPLOYEE STOCK PURCHASE PLAN

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the Common Stock of the Company.

(d) "Company" shall mean Somera Communications, Inc., a Delaware corporation, and any Designated Subsidiary of the Company.

(e) "Compensation" shall mean all base straight time gross earnings and commissions, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and other compensation.

(f) "Designated Subsidiary" shall mean any Subsidiary that has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(g) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year.

For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(h) "Enrollment Date" shall mean the first day of each Offering Period.

(i) "Exercise Date" shall mean the last day of each Offering Period.

(j) "Fair Market Value" shall mean, as of any date, the value of Common Stock determined as follows:

(1) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(2) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(3) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board; or

(4) For purposes of the Enrollment Date of the first Offering Period under the Plan, the Fair Market Value shall be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock (the "Registration Statement").

(k) "Offering Period" shall mean a period of approximately six (6) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after February 15th and terminating on the last Trading Day in the period ending the following August 14th, or commencing on the first Trading Day on or after August 15th and terminating on the last Trading Day in the period ending the following February 14th; provided,

however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Securities and Exchange Commission declares the Company's Registration Statement effective and ending on the last Trading Day on or before August 14, 2000. The duration of Offering Periods may be changed pursuant to Section 4 of this Plan.

(l) "Plan" shall mean this Employee Stock Purchase Plan.

(m) "Purchase Price" shall mean an amount equal to 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided, however, that the Purchase Price may be adjusted by the Board pursuant to Section 20.

(n) "Reserves" shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

(o) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(p) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option

is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on the first Trading Day on or after February 15th and August 15th each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Securities and Exchange Commission declares the Company's Registration Statement effective and ending on the last Trading Day on or before August 14, 2000. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Enrollment Date.

(b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll

deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during

each Offering Period more than 5,000 shares (subject to any adjustment pursuant to Section 19), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The Option shall expire on the last day of the Offering Period.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of

full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. As promptly as practicable after each Exercise Date on which purchase of shares occurs, the Company shall arrange the delivery to each participant, as appropriate, the shares purchased upon exercise of his or her option.

10. Withdrawal.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Termination of Employment. Upon a participant's ceasing to be an Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, and such participant's option shall be automatically terminated. The preceding sentence notwithstanding, a participant who receives payment in lieu of notice of termination

of employment shall be treated as continuing to be an Employee for the participant's customary number of hours per week of employment during the period in which the participant is subject to such payment in lieu of notice.

12. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 300,000 shares, plus an annual increase to be added on the first day of the Company's fiscal year beginning in 2000 equal to the number of shares needed to restore the maximum number of shares of Common Stock that may be available for grant under the Plan to 300,000 shares. If, on a given Exercise Date, the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. Administration. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the

spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver

such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each participant may purchase per Offering Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common

Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"), and shall terminate immediately prior to the consumption of such proposed dissolution or liquidation, unless provided otherwise by the Board. The New Exercise

Date shall be before the date of the Company's proposed dissolution or liquidation. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"). The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Board of Directors of the Company may at any time and for any

reason terminate or amend the Plan. Except as provided in Section 19 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 and Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(1) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(2) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and

(3) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly

given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its a doption by the Board of Directors or its approval by the stockholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 20 hereof.

EXHIBIT A

SOMERA COMMUNICATIONS, INC.

1999 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

_____ Original Application Enrollment Date: _____
_____ Change in Payroll Deduction Rate
_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the Somera Communications, Inc. 1999 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday (from 1 to _____%) during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that my ability to exercise the option under this Subscription Agreement is subject to stockholder approval of the Employee Stock Purchase Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee or Employee and Spouse only): _____.

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares), I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any disposition of shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year holding period, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (2) 15% of the fair market value of the shares on the first day

of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (Please print) _____
(First) (Middle) (Last)

_____ _____
Relationship

_____
(Address)

Employee's Social Security Number: _____

Employee's Address: _____

_____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: _____ _____
Signature of Employee

_____
Spouse's Signature (If beneficiary other than spouse)

EXHIBIT B

SOMERA COMMUNICATIONS, INC.

1999 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Somera Communications, Inc. 1999 Employee Stock Purchase Plan which began on _____, _____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

_____

_____

_____

Signature:

_____

Date: _____

EXHIBIT 10.4

SOMERA COMMUNICATIONS, INC.

1999 DIRECTOR OPTION PLAN

1. Purposes of the Plan. The purposes of this 1999 Director Option Plan are to attract and retain the best available personnel for service as Outside Directors (as defined herein) of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be nonstatutory stock options.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" means the common stock of the Company.

(d) "Company" means Somera Communications, Inc., a Delaware corporation.

(e) "Director" means a member of the Board.

(f) "Disability" means total and permanent disability as defined in section 22(e)(3) of the Code.

(g) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall

be the mean between the high bid and low asked prices for the Common Stock for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(j) "Inside Director" means a Director who is an Employee.

(k) "Option" means a stock option granted pursuant to the Plan.

(l) "Optioned Stock" means the Common Stock subject to an Option.

(m) "Optionee" means a Director who holds an Option.

(n) "Outside Director" means a Director who is not an Employee.

(o) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(p) "Plan" means this 1999 Director Option Plan.

(q) "Share" means a share of the Common Stock, as adjusted in

accordance with Section 10 of the Plan.

(r) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 10 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 300,000 Shares, plus an annual increase equal to the number of shares needed to restore the maximum number of shares of Common Stock that may be available for grant under the Plan to 300,000 shares (the "Pool"). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration and Grants of Options under the Plan.

(a) Procedure for Grants. All grants of Options to Outside Directors under this Plan shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of Shares to be covered by Options.

(ii) Each Outside Director shall be automatically granted an Option to purchase 30,000 Shares (the "First Option") on the date on which the later of the following events occurs: (A) the effective date of this Plan, as determined in accordance with Section 6 hereof, or (B) the date on which such person first becomes an Outside Director, whether through election by the shareholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director but who remains a Director shall not receive a First Option.

(iii) Each Outside Director shall be automatically granted an Option to purchase 7,500 Shares (a "Subsequent Option") on July 1 of each year provided he or she is then an Outside Director.

(iv) Notwithstanding the provisions of subsections (ii) and

(iii) hereof, any exercise of an Option granted before the Company has obtained shareholder approval of the Plan in accordance with Section 16 hereof shall be conditioned upon obtaining such shareholder approval of the Plan in accordance with Section 16 hereof.

(v) The terms of a First Option granted hereunder shall be as follows:

(A) the term of the First Option shall be ten (10) years.

(B) the First Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Sections 8 and 10 hereof.

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the First Option.

(D) subject to Section 10 hereof, the First Option shall become exercisable as to twenty-five percent of the Shares subject to the First Option on each anniversary of its date of grant, provided that the Optionee continues to serve as a Director on such dates.

(vi) The terms of a Subsequent Option granted hereunder shall be as follows:

(A) the term of the Subsequent Option shall be ten (10) years.

(B) the Subsequent Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Sections 8 and 10 hereof.

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Subsequent Option.

(D) subject to Section 10 hereof, the Subsequent Option shall become exercisable as to twenty-five percent of the Shares subject to the Subsequent Option on each anniversary of its date of grant, provided that the Optionee continues to serve as a Director on such dates.

(vii) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased under Options to exceed the Pool, then the remaining Shares available for Option grant shall be granted under Options to the Outside Directors on a pro rata basis. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the Board or the shareholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options

previously granted hereunder.

5. Eligibility. Options may be granted only to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4 hereof.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate the Director's relationship with the Company at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 16 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 11 of the Plan.

7. Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall consist of (i) cash, (ii) check, (iii) other shares which (x) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (iv) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan, or (v) any combination of the foregoing methods of payment.

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4 hereof; provided, however, that no Options shall be exercisable until shareholder approval of the Plan in accordance with Section 16 hereof has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7 of the Plan. Until the issuance (as evidenced by the

appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Continuous Status as a Director. Subject to Section 10 hereof, in the event an Optionee's status as a Director terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option, but only within three (3) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, and to the extent that the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. In the event Optionee's status as a Director terminates as a result of Disability, the Optionee may exercise his or her Option, but only within twelve (12) months following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of termination, or if he or she does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(d) Death of Optionee. In the event of an Optionee's death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option, but only within twelve (12) months following the date of death, and only to the extent that the Optionee was entitled to exercise it on the date of death (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of death, and to the extent that the Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

9. Non-Transferability of Options. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, and the number of Shares issuable pursuant to the automatic grant provisions of Section 4 hereof shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, outstanding Options may be assumed or equivalent options may be substituted by the successor corporation or a Parent or Subsidiary thereof (the "Successor Corporation"). If an Option is assumed or substituted for, the Option or equivalent option shall continue to be exercisable as provided in Section 4 hereof for so long as the Optionee serves as a Director or a director of the Successor Corporation. Following such assumption or substitution, if the Optionee's status as a Director or director of the Successor Corporation, as applicable, is terminated other than upon a voluntary resignation by the Optionee, the Option or option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable. Thereafter, the Option

or option shall remain exercisable in accordance with Sections 8(b) through (d) above.

If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option, the Option shall become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable. In such event the Board shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and upon the expiration of such period the Option shall terminate.

For the purposes of this Section 10(c), an Option shall be considered assumed if, following the merger or sale of assets, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger or sale of assets is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

11. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4 hereof.

13. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

15. Option Agreement. Options shall be evidenced by written option agreements in such form as the Board shall approve.

16. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and any stock exchange rules.

SOMERA COMMUNICATIONS, INC.

DIRECTOR OPTION AGREEMENT

Somera Communications, Inc., (the "Company"), has granted to _____ (the "Optionee"), an option to purchase a total of [_____ (____)] shares of the Company's Common Stock (the "Optioned Stock"), at the price determined as provided herein, and in all respects subject to the terms, definitions and provisions of the Company's 1999 Director Option Plan (the "Plan") adopted by the Company which is incorporated herein by reference. The terms defined in the Plan shall have the same defined meanings herein.

1. Nature of the Option. This Option is a nonstatutory option and is not intended to qualify for any special tax benefits to the Optionee.

2. Exercise Price. The exercise price is $_____ for each share of Common Stock.

3. Exercise of Option. This Option shall be exercisable during its term in accordance with the provisions of Section 8 of the Plan as follows:

(i) Right to Exercise.

(a) This Option shall become exercisable in installments cumulatively with respect to twenty-five percent 25% of the Optioned Stock one year after the date of grant, and as to an additional _____ percent 25% of the Optioned Stock on each anniversary of the date of grant, so that one hundred percent (100%) of the Optioned Stock shall be exercisable four years after the date of grant; provided, however, that in no event shall any Option be exercisable prior to the date the stockholders of the Company approve the Plan.

(b) This Option may not be exercised for a fraction of a share.

(c) In the event of Optionee's death, disability or other termination of service as a Director, the exercisability of the Option is governed by Section 8 of the Plan.

(ii) Method of Exercise. This Option shall be exercisable by written notice which shall state the election to exercise the Option and the number of Shares in respect of which the Option is being exercised. Such written notice, in the form attached hereto as Exhibit A, shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price.

4. Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(i) cash;

(ii) check; or

(iii) surrender of other shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or

(iv) delivery of a properly executed exercise notice together with such other documentation as the Company and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price.

5. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulations, or if such issuance would not comply with the requirements of any stock exchange upon which the Shares may then be listed. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

7. Term of Option. This Option may not be exercised more than ten (10) years from the date of grant of this Option, and may be exercised during such period only in accordance with the Plan and the terms of this Option.

8. Taxation Upon Exercise of Option. Optionee understands that, upon exercise of this Option, he or she will recognize income for tax purposes in an amount equal to the excess of the then Fair Market Value of the Shares purchased over the exercise price paid for such Shares. Since the Optionee is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, under certain limited circumstances the measurement and timing of such income (and the commencement of any capital gain holding period) may be deferred, and the Optionee is advised to contact a tax advisor concerning the application of Section 83 in general and the availability a Section 83(b) election in particular in connection with the exercise of the Option. Upon a resale of such Shares by the Optionee, any difference between the sale price and the Fair

Market Value of the Shares on the date of exercise of the Option, to the extent not included in income as described above, will be treated as capital gain or loss.

DATE OF GRANT: _____

Somera Communications, Inc.,
a Delaware corporation

By:_____

Optionee acknowledges receipt of a copy of the Plan, a copy of which is attached hereto, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan.

Dated: _____

_____
Optionee

EXHIBIT A

DIRECTOR OPTION EXERCISE NOTICE

Somera Communications, Inc.
5383 Hollister Avenue, Suite 100
Santa Barbara, California 93111

Attention: Corporate Secretary

1. Exercise of Option. The undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of Somera Communications, Inc. (the "Company") under and pursuant to the Company's 1999 Director Option Plan and the Director Option Agreement dated _____ (the "Agreement").

2. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Agreement.

3. Federal Restrictions on Transfer. Optionee understands that the Shares must be held indefinitely unless they are registered under the Securities Act of 1933, as amended (the "1933 Act"), or unless an exemption from such registration is available, and that the certificate(s) representing the Shares may bear a legend to that effect. Optionee understands that the Company is under no obligation to register the Shares and that an exemption may not be available or may not permit Optionee to transfer Shares in the amounts or at the times proposed by Optionee.

4. Tax Consequences. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultant(s) Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

5. Delivery of Payment. Optionee herewith delivers to the Company the aggregate purchase price for the Shares that Optionee has elected to purchase and has made provision for the payment of any federal or state withholding taxes required to be paid or withheld by the Company.

6. Entire Agreement. The Agreement is incorporated herein by reference. This Exercise Notice and the Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof. This Exercise Notice and the Agreement are governed by California law except for that body of law pertaining to conflict of laws.

Submitted by:	Accepted by:
OPTIONEE:	SOMERA COMMUNICATIONS, INC.
By:_____	By:_____
	Its:_____
Address:	
Dated:_____	Dated:_____

EXHIBIT 10.5

LOAN AGREEMENT

BY AND BETWEEN

SOMERA COMMUNICATIONS, L.L.C.

AND

FLEET NATIONAL BANK, AS AGENT AND A LENDER

AND

UNION BANK OF CALIFORNIA, N.A.,
AS DOCUMENTATION AGENT AND A LENDER

AND

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC.,
AS A CO-AGENT AND A LENDER

AND

SANWA BANK CALIFORNIA,
AS A CO-AGENT AND A LENDER

AND

THE OTHER FINANCIAL INSTITUTIONS
HEREAFTER PARTIES HERETO

$50,000,000 SECURED TERM LOAN

AND

$15,000,000 SECURED REVOLVING CREDIT LOAN

AUGUST 31, 1999

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LOAN AGREEMENT

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SCHEDULE OF EXHIBITS

LOAN AGREEMENT

SOMERA COMMUNICATIONS, L.L.C., a California limited liability company with a principal place of business at 5383 Hollister Avenue, Suite 100, Santa Barbara, California 93111 (hereinafter the "Borrower"), FLEET NATIONAL BANK, a national banking association organized under the laws of the United States and having an office at One Federal Street, Boston, Massachusetts 02110 (hereinafter sometimes the "Agent" as Agent for itself and each of the other Lenders who now are and/or hereafter become parties to this Agreement pursuant to the terms of Section 9.11 hereof (the "Lenders"), sometimes in each of its capacities "Fleet" ---------- and sometimes in its capacity as a Lender, "Lender", and Union Bank of California, N.A., as Documentation Agent and a Lender, Bank Austria Creditanstalt Corporate Finance, Inc., as a Co-Agent and a Lender and Sanwa Bank California, as Co-Agent and a Lender, such Lenders, hereby agree as follows:

ARTICLE 1.

DEFINITIONS AND ACCOUNTING AND OTHER TERMS

Section 1.1. Certain Defined Terms. As used in this Agreement, the ------------ ---------------------
following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted Libor Rate" means, with respect to any Libor Loan to be made by ------------------
the Lenders for the Interest Period applicable to such Libor Loan, the interest rate per annum determined by the Agent (fixed throughout such Interest Period (subject to adjustments for the Libor Rate Reserve Percentage)) and rounded upwards, if necessary, to the next 1/16 of 1%) which is equal to the quotient of (i) the rate of interest determined by the Agent to be the average of the interest rates per annum at which Dollar deposits in immediately available funds are offered to each Reference Lender by first-class banks in the London interbank market at approximately 11:00 a.m., London time, two Business Days

prior to the Business Day on which such Interest Period begins, in an amount approximately equal to the principal amount of such Libor Loan, for a period of time equal to such Interest Period and (ii) a number equal to the number one minus the Libor Rate Reserve Percentage. The "Libor Rate Reserve Percentage" applicable to any Interest Period means the average of the maximum effective rates (expressed as a decimal) of the statutory reserve requirements (without duplication, but including, without limitation, basic, supplemental, marginal and emergency reserves) applicable to each Reference Lender during such Interest Period under regulations of the Board of Governors of the Federal Reserve System (or any successor), including without limitation Regulation D or any other regulation dealing with maximum reserve requirements which are applicable to each Reference Lender with respect to its "Eurocurrency Liabilities", as that term may be defined from time to time by the Board of Governors of the Federal Reserve System (or any successor) or are otherwise imposed by the Board of Governors of the Federal Reserve System (or any successor) and which in any other respect relate directly to the funding of loans bearing interest at rates based on the interest rates at which Dollar deposits in immediately available funds are offered to banks by first-class banks in the London interbank market. If any Reference Lender fails to provide its offered quotation to the Agent, the Adjusted Libor Rate shall be determined on the basis of the offered quotation of

the other Reference Lender. The Adjusted Libor Rate shall be adjusted automatically on and as of the effective date of any change in the Libor Rate Reserve Percentage.

"Advance" and "Advances" means the funding by any Lender of all or a portion of the Loans in accordance with this Agreement.

"Affiliate" means singly and collectively any Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, the Borrower. For purposes of this definition, a Person shall be deemed to be "controlled by" another Person and "control" shall be deemed to exist if the latter Person possesses, directly or indirectly, power either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the legal representative, successor or assign of any such Person.

"Agent" means Fleet or any other Person which is at the time in question serving as the agent under the terms of Article 8 hereof and the other Financing Documents.

"Agreement" means this loan agreement, as the same may from time to time be amended.

"A.M." means a time from and including 12 o'clock midnight to and excluding 12 o'clock noon on any Business Day using Eastern Standard (Daylight Savings) time.

"Applicable Margin" means for the period commencing on the Closing Date and ending on the fifth Business Day after the Agent's receipt of the quarterly financial statements for the Borrower's September 30, 1999 fiscal quarter pursuant to Section 5.3.3, a per annum percentage equal to the percentages specified for Level V below, and thereafter as of any date, so long as no Default or Event of Default exists and subject to the next-to-last sentence of this definition, the applicable per annum percentage set forth below; provided that if any Default or Event of Default exists the applicable per annum percentage shall be that specified for Level V.

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Level	Leverage Ratio	Prime Rate Loans	LIBOR Loans	Unused Fees
<S>	<C>	<C>	<C>	<C>

I	less than 1.0	25 b.p.	175 b.p.	37.5 b.p.
II	greater than or equal to 1.0 & less than 1.5	50 b.p.	200 b.p.	50.0 b.p.
III	greater than or equal to 1.5 & less than 2.0	75 b.p.	225 b.p.	50.0 b.p.
IV	greater than or equal to 2.0 & less than 2.5	100 b.p.	250 b.p.	50.0 b.p.
V	greater than or equal to 2.5	125 b.p.	275 b.p.	50.0 b.p.

</TABLE>

Any change in the Applicable Margin required pursuant to the foregoing shall become effective on the fifth Business Day after the Agent receives the Borrower's financial statement for the Borrower's fiscal quarter or year-end, as the case may be, in question; provided, however, that each of the above-referenced interest rates or Unused Fees shall remain in effect only so long as Borrower qualifies therefor and provided further, however, that interest rate and Unused Fee

reductions shall become final only on the basis of Borrower's annual audited financial statements and in the event that such annual audited financial statements establish that the Borrower was not entitled to a rate reduction at a fiscal quarter ending which was previously granted, the Borrower shall, upon written demand by the Agent, repay to the Agent for the account of each Lender an amount equal to the excess of interest or Unused Fee at the rate which should have been charged based on such annual audited financial statements and the rate actually charged on the basis of Borrower's quarterly financial statement(s) (provided that in the event of a dispute as to the appropriate fiscal quarter as to which any adjustment should be allocated, the decision of the independent accountants of the Borrower shall be made in accordance with GAAP and shall be binding upon the Agent, the Lenders and the Borrower absent manifest error); and provided further, however, that in the event that Borrower fails to provide any financial statement on a timely basis in accordance with Section 5.3.2 or 5.3.3, any interest rate increase payable as a result thereof shall be retroactively effective to the date on which the financial statement in question should have been received by the Agent in accordance with Section 5.3.2 or 5.3.3, and the Borrower shall pay any amount due as a result thereof upon written demand from the Agent. The Agent shall send the Borrower written acknowledgment of each change in the Applicable Margin in accordance with the Agent's customary procedures as in effect from time to time, but the failure to send such acknowledgment shall have no effect on the effectiveness or applicability of the foregoing provisions of this definition or Borrower's obligations with respect to payment and calculation of interest on Libor Loans.

"Authorized Representative" means such senior personnel of the Borrower as shall be duly authorized and designated in writing by the Borrower to execute documents, instruments and agreements on its behalf and to perform the functions of Authorized Representative under any of the Financing Documents.

"Borrowed Money" means any obligation to repay funded Indebtedness, any Indebtedness evidenced by notes, bonds, debentures, guaranties or similar obligations including without limitation the Loans and any obligation to pay money under a conditional sale or other title retention agreement, the net aggregate rentals payable under any Capitalized Lease Obligation, any reimbursement obligation for any letter of credit and any obligations in respect of banker's and other acceptances or similar obligations.

"Borrower" has the meaning assigned in the first paragraph of this Agreement.

"Borrowing Base" means an amount equal to the sum of (i) eighty percent (80%) of the Net Outstanding Amount of Eligible Receivables and (ii) the lesser of (a) $5,000,000 and (b) fifty percent (50%) of Eligible Inventory.

"Budget" has the meaning assigned to such term in Section 5.3.7.

"Business Condition" means the financial condition, business, assets,

liabilities and operations of a Person.

"Business Day" means (i) for all purposes other than as covered by clause (ii) below, any day on which banks in Boston, Massachusetts or New York, New York are not authorized or required by applicable law to close; and (ii) with respect to all notices and determinations in

connection with, and payments of principal and interest on, Libor Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Capital Expenditures" means all expenditures paid or incurred by the Borrower or any Subsidiary in respect of (i) the acquisition, construction, improvement or replacement of land, buildings, machinery, equipment, any other fixed assets or leaseholds and (ii) to the extent related to and not included in (i) above, materials, contract labor and direct labor, which expenditures have been or should be, in accordance with GAAP, capitalized on the books of the Borrower or such Subsidiary.

"Capitalized Lease Obligations" means all lease obligations which have been or should be, in accordance with GAAP, capitalized on the books of the lessee.

"Cash Equivalent Investments" means (a) prior to repayment of the Term Loans in full, any Investment in (i) direct obligations of the United States or any agency, authority or instrumentality thereof, or obligations guaranteed by the United States or any agency, authority or instrumentality thereof, whether or not supported by the full faith and credit of, a right to borrow from or the ability to be purchased by the United States; (ii) commercial paper rated in the highest grade by a nationally recognized statistical rating agency or which, if not rated, is issued or guaranteed by any issuer with outstanding long-term debt rated A or better by any nationally recognized statistical rating agency; (iii) demand and time deposits with, and certificates of deposit and bankers acceptances issued by, any office of the Agent, any Lender or any other bank or trust company which is organized under the laws of the United States or any state thereof or, if such bank or trust company is a Lender, organized under the laws of another nation in which the Borrower or a Subsidiary has a business location, and in all such cases, which has capital, surplus and undivided profits aggregating at least $500,000,000 and the outstanding long-term debt of which or of the holding company of which it is a subsidiary is rated A or better by any nationally recognized statistical rating agency; (iv) any short-term note which has a rating of MIG-2 or better by Moody's Investors Service Inc. or a comparable rating from any other nationally recognized statistical rating agency; (v) any municipal bond or other governmental obligation (including without limitation any industrial revenue bond or project note) which is rated A or better by any nationally recognized statistical rating agency; (vi) any other obligation of any issuer, the outstanding long-term debt of which is rated A or better by any nationally recognized statistical rating agency; (vii) any repurchase agreement with any financial institution described in clause (iii) above, relating to any of the foregoing instruments and fully collateralized by such instruments; (viii) shares of any open-end diversified investment company that has its assets invested only in investments of the types described in clause (i) through (vii) above at the time of purchase and which maintains a constant net asset value per share; and (ix) shares of any open-end diversified investment company registered under the Investment Company Act of 1940, as amended, which maintains a constant net asset value per share in accordance with regulations of the Securities & Exchange Commission, has aggregate net assets of not less than $50,000,000 on the date of purchase and either derives at least 80% of its gross income from interest on or gains from the sale of investments of the type described in clauses (i) through (vii), above or has at least 75% of the weighted average value of its assets invested in investments of such types; provided that the purchase of any shares in any particular investment company shall be limited to an aggregate amount owned at any one time of $500,000. Each

Cash Equivalent Investment shall have a maturity of less than one year at the time of purchase; provided that the maturity of any repurchase agreement shall

be deemed to be the repurchase date and not the maturity of the subject security and that the maturity of any variable or floating rate note subject to prepayment at the option of the holder shall be the period remaining (including any notice period remaining) before the holder is entitled to prepayment and (b) thereafter, any Investment classified as cash or cash equivalents in accordance with GAAP and in accordance with any written investment policy duly adopted by Borrower's board of directors.

"Change of Control" means, at any time prior to the completion of a Qualified Initial Public Offering, any one of the following events: (i) any change in the ownership of the Borrower such that the Summit Investors and Daniel A. Firestone in the aggregate own less than 51% of the equity interests in the Borrower or (ii) any decrease in any of the voting rights in the Borrower now held by the Summit Investors and Daniel A. Firestone such that they cease to collectively hold 51% or more of the voting rights in the Borrower and (ii) at any time after completion of a Qualified Initial Public offering, any one of the following events:

(i) any "person" or "group" (each as used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended from time to time) (other than a group controlled by the Summit Investors and/or Daniel A. Firestone) either (A) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of voting capital stock of the Borrower (or securities convertible into or exchangeable for such voting capital stock) representing 30% or more of the combined voting power of all voting capital stock of the Borrower (on a fully diluted basis) or (B) otherwise has the ability, directly or indirectly, to elect a majority of the board of directors of the Borrower; or

(ii) during any period of up to 24 consecutive months, commencing on the Closing Date, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than (A) the death, disability or retirement of a director or (B) the death, disability, resignation or retirement of an officer of the Borrower that is serving as a director at such time so long as another officer of the Borrower or any other person selected by a majority of the board of directors replaces such Person as a director) to constitute a majority of the board of directors of the Borrower; or

(iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence on the management or policies of the Borrower.

"Closing Date" means the date on which all of the conditions precedent set forth in Section 3.1 of this Agreement have been satisfied and the Term Loan is funded in accordance with this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means the Lenders' several commitments to make or maintain the Loans as set forth in Section 2.1 hereof in the maximum outstanding amount of each Lender's Pro Rata Share of $65,000,000 less the reductions set forth in Section 2.1 and less any reductions of the Commitment pursuant to Section 2.6.4 and prepayments or repayments of the Term Loan as set forth in Section 2.6.

"Commonly Controlled Entity" means a Person, whether or not incorporated, which is under common control with the Borrower within the meaning of section 414(b) or (c) of the Code.

"Default" means an event or condition which with the giving of notice or
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lapse of time or both would become an Event of Default.

"Discharged Rights and Obligations" shall have the meaning assigned to such
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term in Section 9.11.4.

"Disclosure Letter" means the letter identified as such, dated as of the
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date hereof, delivered by Borrower to Agent and by this reference fully
incorporated herein.

"Dollars" and the sign "$" mean lawful money of the United States of
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America.

"EBITDA" means, for any fiscal period, Net Income plus, to the extent
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deducted in determining Net Income, (a) Interest Expense, taxes, depreciation, amortization, other noncash charges and (b) non-recurring extraordinary costs incurred by the Borrower and any Subsidiaries prior to September 30, 1999 in connection with closing of the Loans and the Related Transactions, for such period determined on an accrual and consolidated basis in accordance with GAAP.

"Effective Prime" means the Prime Rate plus the Applicable Margin for Prime
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Rate Loans.

"Eligible Inventory" means value, i.e., the lower of cost or book value
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determined in accordance with GAAP, of the inventory of the Borrower and any Subsidiaries as to which all manufacturing and assembly processes have been completed and which is (a) ready for sale and delivery to a customer, (b) raw materials inventory and (c) work-in-process inventory, in all such cases to the extent that such inventory is (a) in the Borrower's or Subsidiary's possession or is in transit to the Borrower or any Subsidiary and covered by a letter of credit or acceptance issued by a financial institution acceptable to the Agent in its commercial reasonable discretion or for which other protective steps deemed satisfactory by the Agent in a commercially reasonable manner have been taken, (b) owned entirely by the Borrower or any Subsidiary, (c) not evidenced by any document or instrument, (d) not obsolete, damaged, unfit for use or unsaleable and (e) not in inventory for more than 90 days. By way of example only, the Agent may consider the following inventory not eligible: (v) inventory as to which any Borrower or any Subsidiary, as the case may be, do not have valid and marketable title, (w) packaging and supplies, (x) inventory subject to a Lien other than those granted to the Agent, (y) inventory for which there does not exist a first priority perfected security interest in favor of the Agent and (z) work-in-process inventory. All determinations by the Agent
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concerning Eligible Inventory, shall be made by the Agent in a commercially reasonable manner. The criteria for eligibility may be revised in a commercially reasonable manner by the Agent from time to time.

"Eligible Receivables" means accounts receivable of the Borrower and any
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Subsidiaries evidencing Indebtedness of Persons to the Borrower for goods actually sold and delivered or services actually performed in the ordinary course of business by the Borrower to or for such Person, as to which goods or services no written notice has been received by Borrower from such Person that alleges a breach by the Borrower of its obligation to deliver such goods and/or services and which accounts receivable have been outstanding for less than ninety (90) days since their respective invoicing dates, but excluding, however, (i) accounts receivable owing by officers, directors, shareholders or employees of Borrower, (ii) accounts receivable with respect to which goods are placed on consignment, guaranteed sale, "bill and hold" or other terms by reason of which the payment by the account debtor may be conditional, (iii) accounts receivable owing by the United States or any agency, department or instrumentality thereof unless such accounts are freely assignable to the Agent under the United States Assignment of Claims Act and the Borrower has separately assigned each such

account to the Agent in compliance with such Act, (iv) accounts receivable owing by any Subsidiary or Affiliate of Borrower, (v) accounts receivable with respect to which Borrower or any Subsidiary or Affiliate is liable to the account debtor for goods sold or services provided to Borrower or any Subsidiary or Affiliate by such account debtor to the extent of Borrower's or any Subsidiary's or Affiliate's liability to such account debtor, (vi) accounts receivable which are due and payable to Borrower from an account debtor located outside the United States of America unless the Agent shall have, in its sole discretion, specifically approved such receivable or such receivable is covered by credit insurance or a letter of credit in all respects satisfactory to the Agent, (vii) any accounts receivable as to which the account debtor has claimed in writing any setoff or any dispute as to the amount owing by the account debtor to the extent of the amount in dispute, (viii) any accounts receivable subject to any Lien other than pursuant to the Security Documents, (ix) any accounts receivable owing by any Person which is insolvent and/or the subject of any bankruptcy, receivership or other insolvency proceeding, and (x) any accounts receivable deemed by the Agent in the Agent's sole discretion exercised in good faith or uncollectible.

"Environmental Law" shall mean any statute, ordinance, code, law, or regulation or any other requirement enacted or adopted by any Governmental Authority relating to pollution or protection of public health, safety or welfare or the environment, including without limitation (i) those relating to emissions, discharges, releases or threatened releases of Hazardous Materials into the environment (including ambient air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, (ii) the Clean Air Act, 42 U.S.C. Section 2001, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1247, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq., the Toxic Substance Control Act, 42 U.S.C. Section 2501, et seq., and any state law counterparts, including the law of nuisance and strict liability.

"Equity" means the ownership interests in the Borrower held by the Members as set forth in Exhibit 1.1.

"Equity Documents" means, collectively, all documents entered into by the Borrower and any of the Members in connection with their Equity as listed on Exhibit 1.2 to the Disclosure Letter.

"ERISA" means the Employee Retirement Income Security Act of 1974 as amended from time to time.

"Events of Default" has the meaning assigned to that term in Section 6.1 of this Agreement.

"Excess Cash Flow" means, for any fiscal year of the Borrower, on a consolidated basis, the sum of EBITDA for each Borrower fiscal quarter in such fiscal year plus decreases in working capital and minus the sum of (i) an amount equal to the sum of payments included in Total Debt Service paid during each fiscal quarter in such fiscal year, (ii) to the extent not included in Total Debt Service, all Capital Expenditures permitted under Section 5.2.17 and paid during each Borrower fiscal quarter in such fiscal year,(iii) taxes payable during each Borrower fiscal quarter in such fiscal year, including without duplication quarterly distributions to Borrower's Members in amounts necessary to pay federal and state income tax on account of Borrower's taxable income and

(iv) increases in working capital.

"Exhibit" means, when followed by a letter, the exhibit attached to this Agreement bearing that letter and by such reference fully incorporated in this Agreement.

"Facility Fee" means, the facility fee payable by the Borrower in accordance with Section 2.2.2 and the Fee Letter.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York, provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next succeeding Business Day as so published, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Agent on such day on such transactions as determined by the Agent in its discretion exercised in good faith.

"Fee Letter" means that certain side letter of even date with this Agreement between the Borrower and the Agent regarding certain fees payable by the Borrower.

"Financing Documents" means, collectively, this Agreement, each Note, the Security Documents, the Fee Letter, the Post-Closing Letter, any Letter of Credit, any Letter of Credit Agreement, any agreement with any Lender providing any interest rate protection arrangement and each other agreement, instrument or document now or hereafter executed in connection herewith or therewith.

"Fixed Charge Coverage Ratio" means the ratio of (i) EBITDA minus all Capital Expenditures permitted under Section 5.2.17 and paid during each Borrower fiscal quarter during the period in question, and taxes payable during each Borrower fiscal quarter during the period in question, including without duplication distributions to Borrower's Members in amounts

necessary to pay federal and state income tax on account of Borrower's taxable income to (ii) Total Debt Service.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America.

"Governmental Authority" means the United States of America, any state, commonwealth, territory, or possession thereof, and any political subdivision or quasigovernmental authority of any of the same, including any court, tribunal, department, bureau, commission or board.

"Hazardous Material" shall mean any substance or material defined or designated as a hazardous or toxic waste, hazardous or toxic material, hazardous or toxic substance, or other similar term, by any Environmental Law.

"Indebtedness" means, as to any Person and whether recourse is secured by or is otherwise available against all or only a portion of the assets of such Person and whether or not contingent, but without duplication:

(i) every obligation of such Person for Borrowed Money.

(ii) every obligation of such Person issued or assumed as the

deferred purchase price of property or services (including without limitation securities repurchase agreements and any earn-outs or similar obligations with respect to Permitted Acquisitions, but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith);

(iii) every obligation of such Person under any lease (a "synthetic lease") treated as an operating lease under GAAP and as a loan or financing for United States income tax purposes;

(iv) all sales by such Person of (A) accounts or general intangibles for money due or to become due, (B) chattel paper, instruments or documents creating or evidencing a right to payment of money or (C) other receivables (collectively "receivables"), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith;

(v) every matured obligation of such Person (an "equity related purchase obligation") to purchase, redeem, retire or otherwise acquire for value any shares of capital stock of any class issued by such Person, any warrants, options or other rights to acquire any such shares, or any rights measured by the value of such shares, warrants, options or other rights;

(vi) every obligation of such Person under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices (a "derivative contract");

(vii) every obligation in respect of Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor; and

(viii) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (i) through (vii) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person (A) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, or (B) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (C) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

The "amount" or "principal amount" of any Indebtedness at any time of determination represented by (u) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (v) any Capitalized Lease shall be determined in accordance with GAAP, (w) any sale of receivables shall be the amount of unrecovered capital or principal investment of the purchaser (other than the Borrower or any of its wholly-owned Subsidiaries) thereof, excluding amounts representative of yield or interest earned on such investment, (x) any synthetic lease shall be the stipulated loss value, termination value or other equivalent amount, (y) any derivative contract shall be the maximum amount of any termination or loss payment required to be paid by such Person if such derivative contract were, at the time of determination, to be terminated by reason of any event of default or early termination event thereunder, whether or not such event of default or early termination event has in fact occurred and (z) any equity related purchase obligation shall be the maximum fixed redemption or purchase price thereof inclusive of any

accrued and unpaid dividends to be comprised in such redemption or purchase price.

"Ineligible Securities" means Securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1993 (12 U.S.C. (S)24, Seventh), as amended.

"Interest Adjustment Date" means (i) as to any Prime Rate Loan to be converted to a Libor Loan the Business Day elected by the Borrower in its applicable Interest Rate Election, but being not less than three (3) Business Days after the receipt by the Agent before 12:00 o'clock

P.M. on a Business Day of an Interest Rate Election electing the Libor Rate as the interest rate on such Loan; and (ii) as to any Libor Loan, the last Business Day of the Interest Period pertaining to such Libor Loan.

"Interest Expense" means, with respect to any fiscal quarter, the aggregate amount required to be accrued by the Borrower and any Subsidiaries in such fiscal quarter for interest, fees (excluding, however, the Facility Fee being paid to the Agent for the accounts of the Lenders on the Closing Date), charges and expenses, however characterized, on its Indebtedness, including, without limitation, all such interest, fees, charges and expenses required to be accrued with respect to Indebtedness under the Financing Documents, all determined in accordance with GAAP.

"Interest Period" means:

With respect to each Libor Loan:

(i) initially, the period commencing on the date of such Libor Loan and ending one, two, three, six or such greater number of months thereafter as may be acceptable to all of the Lenders and as the Borrower may elect in the applicable Interest Rate Election and subject to Section 2.9; and

(ii) thereafter, each period commencing on the last day of the immediately preceding Interest Period applicable to such Libor Loan and ending one, two, three, six or such greater number of months thereafter as may be acceptable to all of the Lenders and as the Borrower may elect in the applicable Interest Rate Election and subject to Section 2.9;

provided that clauses (i) and (ii) of this definition are subject to the following:

(A) any Interest Period (other than an Interest Period determined pursuant to clause (C) below) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

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

(C) for the Term Loan, no Interest Period shall end after the Term Loan Repayment Date and for the Revolving Credit Loan, no Interest Period shall end after the Revolving Credit Repayment Date; and

(D) with respect to all Libor Loans, no more than eight Interest Periods may be in effect at any time.

"Interest Rate Election" means the Borrower's irrevocable telecopied or telephonic notice of election, which shall be promptly confirmed by a written notice of election that Effective Prime or the Libor Rate shall apply to all or any portion of the Loans, which shall, subject to this Agreement, be effective on the next Interest Adjustment Date, such telecopied or telephonic notice and written confirmation thereof to be in the form of Exhibit 1.4 and to be received by the Agent prior to 12:00 o'clock P.M. on a Business Day and at least three (3) Business Days prior to an Interest Adjustment Date in the case of a Libor Loan, and by 12:00 p.m. on an Interest Adjustment Date in the case of a Prime Rate Loan (or four (4) Business Days in the case of an Interest Rate Election as to which the consent of the Lenders is required), each such Interest Rate Election, subject to the terms of this Agreement, to apply to the Advance or the Loan referred to in such Interest Rate Election or to effect a change in the interest rate on the applicable portion of the Loans then outstanding, as applicable, with respect to which such Interest Rate Election was made, such change to occur on the Interest Adjustment Date next succeeding receipt of such Interest Rate Election by the Agent. Any Interest Rate Election received by the Agent after 12 o'clock P.M. on a Business Day shall be deemed, for all purposes of this Agreement, to have been received prior to 12 o'clock P.M. on the next succeeding Business Day.

"Investment" means any investment in any Person whether by means of a purchase of capital stock, notes, bonds, debentures or other evidences of Indebtedness and/or by means of a capital or partnership contribution, loan, deposit, advance or other means,

"Lender" means Fleet, or any financial institution which hereafter becomes a party hereto pursuant to the terms of Section 9.11, each in their individual capacity, and "Lenders" means Fleet and each of such financial institutions.

"Letter of Credit" means an irrevocable stand-by or commercial letter of credit issued by the Agent for the account of the Borrower pursuant to a Letter of Credit Agreement subject to and in accordance with this Agreement.

"Letter of Credit Agreement" means an application and agreement for stand-by or commercial letter of credit in such form as may at any time be customarily required by the Agent for its issuance of stand-by or commercial letters of credit.

"Leverage Ratio" means the ratio of total Indebtedness for Borrowed Money of the Borrower and its Subsidiaries on a consolidated basis as of the last day of the most recently ended fiscal quarter of the Borrower to EBITDA for such Borrower fiscal quarter and the three immediately preceding Borrower fiscal quarters calculated in accordance with GAAP.

"Libor Loan" means any portion of any Loan bearing interest at the Libor Rate.

"Libor Rate" means, for any Interest Period, the Adjusted Libor Rate in effect on the first day of such Interest Period (subject to adjustment as provided in the definition of Adjusted Libor Rate) plus the Applicable Margin for Libor Loans from time to time in effect.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other) or other security agreement or preferential arrangement of any kind or nature whatsoever (including without limitation any conditional sale or other title

retention agreement and any Capitalized Lease Obligation) having substantially the same economic effect as any of the foregoing and the filing of any financing

statement under the applicable Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing.

"Loans" and "Loan" means at any time the outstanding principal amount of Indebtedness owed to the Lenders or to any Lender, as the context may require pursuant to this Agreement.

"Majority Lenders" means Lenders holding an aggregate Pro Rata Share of the outstanding principal balance of the Loans in an amount equal to or in excess of 50.1% of the total outstanding principal balance of the Loans and if there is no outstanding principal balance of the Loans, Lenders having at least 50.1% of the Commitment.

"Material Adverse Effect" means material adverse effect on (i) the ability of the Borrower or any Subsidiary to fulfill its obligations under any of the Financing Documents or (ii) the Business Condition of the Borrower and its Subsidiaries taken as a whole.

"Members" means the Summit Investors and the other Persons listed on Exhibit 1.1 as Members.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Income" means, for any fiscal period, the net after tax income (loss) of the Borrower and any Subsidiaries for such period determined on an accrual and consolidated basis in accordance with GAAP.

"Net Outstanding Amount of Eligible Receivables" means the net amount of Eligible Receivables outstanding after eliminating from the aggregate amount of outstanding Eligible Receivables all payments, adjustments and credits applicable thereto.

"Note" means any promissory note of the Borrower payable to the order of a Lender and substantially in the form of Exhibit 1.5 or Exhibit 1.6 and evidencing all or a portion of the Loan and "Notes" means all of the Notes, collectively.

"Obligations" mean any and all Indebtedness, obligations and liabilities of Borrower and/or any Subsidiaries under any of the Financing Documents to any one or more of the Lenders and/or the Agent of every kind and description, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, including, without limitation, all Loans, interest, taxes, fees, charges, and expenses under the Financing Documents and attorneys' fees chargeable to the Borrower and/or any Subsidiaries or incurred by any of the Lenders and/or the Agent under any of the Financing Documents.

"Officer's Certificate" means a certificate signed by an Authorized Representative and delivered to the Agent on behalf of the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to subtitle A of Title IV of ERISA.

"P.M." means a time from and including 12 o'clock noon on any Business Day to the end of such Business Day using Eastern Standard (Daylight Savings) time.

"Permitted Encumbrances" means each Lien granted pursuant to any of the

Security Documents, those Liens, security interests and defects in title permitted under Section 5.2.1 and those Liens listed on Exhibit 1.8.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof.

"Plan" means an employee benefit plan as defined in Section 3(3) of ERISA maintained for employees of the Borrower or any Commonly Controlled Entity.

"Post-Closing Letter" means that certain letter agreement between the Borrower and the Agent dated the Closing Date and listing certain post-closing actions to be completed by the Borrower.

"Premises" has the meaning assigned to such term in Section 4.1.21.1.

"Prime Rate" means the higher of (i) the floating rate of interest per annum designated from time to time by the Agent as being its "prime rate" of interest, such interest rate to be adjusted on the effective date of any change thereof by the Agent, it being understood that such rate of interest may not be the lowest rate of interest from time to time charged by the Agent and (ii) the Federal Funds Rate plus one-half percent (.50%), such interest rate to be adjusted on the effective date of any change thereof by the Federal Reserve Bank of New York.

"Prime Rate Loan(s)" means any portion of the Loans bearing interest at Effective Prime.

"Projections" means the Borrower's written projections of Borrower's five-year future performance on a consolidated basis delivered to the Agent prior to the Closing Date and attached to the Disclosure Letter.

"Pro Rata Share" means (i) with respect to the Commitment, each Lender's percentage share of the Commitment as set forth immediately opposite such Lender's name on Exhibit 1.9, and (ii) with respect to the Loans, each Lender's percentage share of the aggregate outstanding principal balance of the Loans and "Pro Rata Shares" means such percentage shares of the Lenders.

"Qualified Initial Public Offering" means the Borrower and/or any Subsidiary conducting an initial public offering of any class of the Borrower's or any Subsidiary's securities following the effectiveness of a filed Form S-1 or any other form of registration statement then available for registration with the Securities and Exchange Commission, which such offering generates $30,000,000 or more in gross proceeds.

"Reference Lender(s)" means the Agent unless the Agent resigns said responsibility, at which time and thereafter such term means one or two Lenders selected by the Agent in its discretion from time to time as a reference lender for purposes of determining the Adjusted Libor Rate.

"Related Funds" means, with respect to any Lender which is a fund that invests in loans, any other fund that invests in loans and is managed by the same investment advisor as such Lender or by an affiliate of such Lender.

"Related Transactions" means the Borrower's payment of up to a $50,000,000 dividend to the Stockholders and refinancing of certain Indebtedness for Borrowed Money.

"Reportable Event" shall have the meaning assigned to that term in Section 4043 of ERISA for which the requirement of 30 days' notice to the PBGC has not been waived by the PBGC.

"Request" means a written request for the Loans in the form of Exhibit 1.10, received by the Agent on behalf of the Lenders from the Borrower in accordance with this Agreement, specifying the date on which the Borrower desires such Loans and the disbursement instructions of the Borrower with respect thereto.

"Revolving Credit Loans" means the revolving credit loans to be made by the Lenders to the Borrower from time to time in the maximum outstanding principal amount of the Revolving Credit Loan Commitment, all subject and pursuant to Section 2.1.0.

"Revolving Credit Loan Commitment" means the Lenders' several commitments to make Revolving Credit Loans to the Borrower in accordance with Section 2.1.0 and this Agreement and in the maximum outstanding amount of each Lender's Pro Rata Share of the lesser of (i) the Borrowing Base and (ii) $15,000,000, as such amount may be reduced pursuant to Section 2.6.4.

"Revolving Credit Note" means each revolving credit note of the Borrower, payable to the order of a Lender in the form of Exhibit 1.5 hereto evidencing the Indebtedness of the Borrower to such Lender with respect to the Revolving Credit Loan.

"Revolving Credit Repayment Date" means the earlier to occur of (i) August 31, 2004 and (ii) such earlier date on which the Revolving Credit Loan becomes due and payable pursuant to the terms hereof.

"Section" means, when followed by a number, the section or subsection of this Agreement bearing that number.

"Section 20 Subsidiary" means a subsidiary of the bank holding company controlling any Lender, which subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

"Security Documents" means any and all documents, instruments and agreements now or hereafter providing security for the Loans and any other Indebtedness of the Borrower or any Subsidiary to any of the Lenders and/or the Agent incurred (a) in connection with this Agreement and/or any of the other Financing Documents, and/or (b) referred to in Section 5.2.2 or 5.2.8, including without limitation the following documents, instruments and agreements between the Agent and the Borrower or any Subsidiary: any mortgages on and collateral assignments of real property interests (fee, leasehold and easement) of the Borrower and any Subsidiary granting Liens thereon; landlord lien waivers and consents as may be reasonably requested by the Agent; security agreements granting Liens on all Borrower's and any Subsidiary's fixtures and tangible and intangible personal property including without limitation any copyrights, trademarks, servicemarks, patents and any applications therefor; collateral assignments of Borrower's and any Subsidiary's contracts, licenses, permits, easements and leases; any guaranty by a Subsidiary; any pledge of the capital stock of any Subsidiary; casualty and liability insurance policies providing coverage to the Agent for the benefit of the Lenders; collateral assignment of keyman life insurance on Borrower's chief executive officer; UCC-1 financing statements or similar filings perfecting the above-referenced security interests, pledges and assignments, all as executed, delivered to and accepted by the Agent on or prior to the Closing Date or subsequent to the Closing Date

as may be required by this Agreement, as any of the foregoing may be amended in writing by the Agent and any other party or parties thereto.

"Selling Lender" shall have the meaning assigned to such term in Section 9.11.1.

"Single Employer Plan" means any Plan as defined in Section 4001(a)(15) of ERISA.

"Subsidiary" means any corporation or entity other than the Borrower of which more than 50% of the outstanding capital stock or voting interests or rights having ordinary voting power to elect a majority of the board of directors or other managers of such entity (irrespective of whether or not at the time capital stock or voting interests or rights of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by the Borrower or by the Borrower and/or one or more Subsidiaries or the management of which corporation or entity is under control of the Borrower and/or any other Subsidiary, directly or indirectly through one or more Persons and any other Person which, under GAAP, should at any time for financial reporting purposes be consolidated or combined with the Borrower and/or any other Subsidiary.

"Substituted Lender" has the meaning set forth in Section 9.11 hereof.

"Substitution Agreement" has the meaning assigned to such term in Section 9.11.1.

"Summit Investors" means the Person listed under the heading "Summit Investors" on Exhibit 1.1 to the Disclosure Letter.

"Term Loan" means the term loan in the aggregate principal amount of $50,000,000 to be made or maintained by the Lenders pursuant to Section 2.1.1 hereof.

"Term Note" means a term note of the Borrower payable to the order of a Lender in the form of Exhibit 1.6 hereto evidencing the Indebtedness of the Borrower to such Lender with respect to the Term Loan.

"Term Loan Repayment Date" means the earlier to occur of (i) August 31, 2004 and (ii) such earlier date on which the Term Loan becomes due and payable pursuant to the terms hereof.

"Total Debt Service" means, at any date of determination, the sum of (i) Interest Expense and (ii) scheduled and mandatory principal payments for the fiscal period in question due on account of any Indebtedness of the Borrower and of any Subsidiary, but excluding any mandatory payments of principal required pursuant to Sections 2.6.1.2, 2.6.1.3, 2.6.1.4, 2.6.1.5 and 2.6.1.6.

"Unused Amount" has the meaning assigned to such term in Section 2.2.2.

"Unused Fees" has the meaning assigned to such term in Section 2.2.2.

Section 1.2. Accounting Terms. All accounting terms not specifically

defined herein shall be construed in accordance with GAAP, calculations of amounts for the purposes of calculating any financial covenants or ratios hereunder shall be made in accordance with GAAP applied on a basis consistent with those used in the Borrower's financial statements referred to in Section 4.1.5 (other than departures therefrom not material in their impact), and all financial data submitted pursuant to this Agreement shall be prepared in accordance with GAAP (except, in the case of unaudited financial statements, the absence of footnotes and that such statements are subject to changes resulting from year-end adjustments made in accordance with GAAP).

Section 1.3. Other Terms. References to "Articles", "Sections", "subsections" and "Exhibits" shall be to Sections, subsections and Exhibits and of this Agreement unless otherwise specifically provided. In this Agreement, "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective word appears; words importing any gender include the other genders; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Financing Document; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

ARTICLE 2.

AMOUNT AND TERMS OF THE LOANS

Section 2.1. The Loans.

Section 2.1.0. The Revolving Credit Loans. Each of the Lenders severally agrees, subject to the terms and conditions of this Agreement, to make Advances of Revolving Credit Loans to the Borrower from time to time after receipt by the Agent from time to time before the Revolving Credit Repayment Date of, and at the times provided for in, a Request and an Interest Rate Election from the Borrower in accordance with this Agreement, during the period commencing on the Closing Date and ending on the Business Day immediately preceding the Revolving Credit Repayment Date, in an aggregate principal amount at any one time outstanding not to exceed (i) such Lender's Pro Rata Share of the Revolving Credit Loan Commitment less (ii) in each case, such Lender's Pro Rata Share of the aggregate outstanding stated amount of any Letters of Credit and, without duplication, Letter of Credit Agreements and any unreimbursed amounts drawn thereunder. Each Advance shall be in a principal amount of at least $500,000 or an integral multiple of $100,000 in excess thereof or, if less, the amount of the Revolving Credit Loan Commitment.

Promptly after receipt of a Request and Interest Rate Election, Agent shall notify each Lender by telephone, telex or telecopy of the proposed borrowing. Subject to the immediately preceding paragraph, each Lender agrees that after its receipt of notification from Agent of Agent's receipt of a Request and Interest Rate Election, such Lender shall send its Pro Rata Share (or such portion thereof as may be necessary to provide Agent with such Pro Rata Share in Dollars and in immediately available funds, without consideration or use of any contra accounts of any Lender) of the requested Loan by wire transfer to Agent so that Agent receives such Pro Rata Share in Dollars and in immediately available funds not later than 12:00 P.M. (Boston, Massachusetts time) on the first day of the Interest Period for any such requested Libor Loan and on the Business Day for such Advance set forth in Borrower's Request for any such requested Prime Rate Loan, and Agent shall advance funds to the Borrower by depositing such funds in Borrower's account with the Agent upon Agent's receipt of such Pro Rata Shares in the amount of the Pro Rata Shares of such Loan in

Agent's possession. Unless Agent shall have been notified by any Lender (which notice may be telephonic if confirmed promptly in writing) prior to the first day of the Interest Period in respect of any Loan which such Lender is obligated to make under this Agreement, that such Lender does not intend to make available to Agent such Lender's Pro Rata Share of such Loan on such date, Agent may assume that such Lender has made such amount available to Agent on such date and Agent in its sole discretion may, but shall not be obligated to, make available to the Borrower a corresponding amount on such date. If such corresponding amount is not in fact made available to Agent by such Lender, Agent shall be entitled to recover such corresponding amount from such Lender promptly upon demand by Agent together with interest thereon, for each day from such date until the date such amount is paid to Agent, at the Federal Funds Rate for three (3) Business Days and thereafter at the interest rate on the Loan in question. If such Lender does not pay such corresponding amount forthwith upon Agent's demand therefor, Agent shall promptly notify the Borrower and the Borrower shall promptly pay such corresponding amount to Agent. Nothing contained in this Section shall be deemed to relieve any Lender from its obligation to fulfill its obligations hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Throughout the term of the Revolving Credit Loans, $5,000,000 of the Revolving Credit Loan Commitment and principal amount of the Revolving Credit Loans may, at the Borrower's request and so long as no Default or Event of Default exists or would exist after issuance of any Letter of Credit be made available to the Borrower prior to the Revolving Credit Repayment Date by issuance of Letters of Credit having an expiration date prior to the earlier to occur of (a) the first anniversary date of the date of issuance of any such Letter of Credit or (b) three (3) Business Days prior to the Revolving Credit Repayment Date, reasonably promptly after submission by the Borrower to the Agent of a Letter of Credit Agreement, duly completed and executed by the Borrower and otherwise in form and substance satisfactory to the Agent. The Borrower shall pay upon demand by the Agent such fees and costs as the Agent may from time to time establish for issuance, transfer, amendment and negotiation of each Letter of Credit and shall pay to the Agent for the Agent's account upon issuance of any Letter of Credit an annual Letter of Credit fee in an amount equal to the product of (i) the stated amount of each Letter of Credit multiplied by (ii) the Applicable Margin then in effect with respect to any Revolving Credit Loan which is a Libor Loan. In the event that the Borrower shall fail to reimburse the Agent under any Letter of Credit or Letter of Credit Agreement, and any outstanding Indebtedness of the Borrower relating thereto, the Agent shall promptly notify each Lender of the unreimbursed amount together with accrued interest thereon, and each Lender agrees to purchase, and it shall be deemed to have purchased, a participation in such Letter of Credit or Letter of Credit Agreement and such Indebtedness in an amount equal to its Pro Rata Share of the unpaid amount together with unpaid interest thereon. Upon one (1) Business Day's notice from the Agent, each Lender shall deliver to the Agent an amount equal to its respective participation in same day funds, at the place and on the date and by the time notified by the Agent. The obligation of each Lender to deliver to the Agent an amount equal to its respective participation pursuant to the foregoing sentence shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or the failure to satisfy any condition set forth in Article III of this Agreement.

As soon as is practicable following the close of each month after the Closing Date and in any event within twenty (20) days thereafter, the Borrower will submit to the Agent a borrowing base certificate in the form of Exhibit 2.1.0 or on such other form as the Agent may from time to time prescribe, which certificate shall contain information adequate to identify accounts receivable which the Borrower wishes to include in Eligible Receivables. During the continuance of a Default or Event of Default, the Borrower shall also, if the Lender so requests, accompany such information with assignments of accounts in form and substance satisfactory to the Lender which assignments shall give the Lender full power to collect, compromise or otherwise deal with the assigned accounts as the sole owner thereof. Concurrently with each of such reports, and immediately if material in amount, the Borrower shall notify the Lender of each return or adjustment, rejection, repossession or loss, theft or damage of or to merchandise represented by Eligible Receivables or any other collateral for any Indebtedness of the Borrower to the Lender and of any credit, adjustment or dispute arising in connection with the goods or services represented by Eligible

Receivables. All payments on Eligible Receivables and all adjustments and credits with respect thereto, whether unilateral, negotiated or otherwise, shall be immediately reflected in the Net Outstanding Amount of Eligible Receivables.

Section 2.1.1. Term Loans. Each of the Lenders severally agrees, subject to the terms and conditions of this Agreement, to make a Term Loan to the Borrower in the amount of

its respective Pro Rata Share of $50,000,000. Borrower shall pay on the last day of each Borrower fiscal quarter set forth below the amount of the Term Loans set forth immediately opposite such fiscal quarter:

Borrower Fiscal Quarter	Quarterly Payment Amounts
4/th/ fiscal quarter, 1999	$ 1,580,000
1/st/ fiscal quarter, 2000	$ 1,580,000
2/nd/ fiscal quarter, 2000	$ 1,580,000
3/rd/ fiscal quarter, 2000	$ 1,580,000
4/th/ fiscal quarter, 2000	$ 1,580,000
1/st/ fiscal quarter, 2001	$ 2,000,000
2/nd/ fiscal quarter, 2001	$ 2,000,000
3/rd/ fiscal quarter, 2001	$ 2,000,000
4/th/ fiscal quarter, 2001	$ 2,000,000
1/st/ fiscal quarter, 2002	$ 2,600,000
2/nd/ fiscal quarter, 2002	$ 2,600,000
3/rd/ fiscal quarter, 2002	$ 2,600,000
4/th/ fiscal quarter, 2002	$ 2,600,000
1/st/ fiscal quarter, 2003	$ 3,300,000
2/nd/ fiscal quarter, 2003	$ 3,300,000
3/rd/ fiscal quarter, 2003	$ 3,300,000
4/th/ fiscal quarter, 2003	$ 3,300,000
1/st/ fiscal quarter, 2004	$ 3,500,000
2/nd/ fiscal quarter, 2004	$ 3,500,000

In addition, Borrower shall pay the entire outstanding principal balance of the Term Loans in the amount of $3,500,000 on August 31, 2004.

Section 2.2. Interest and Fees on the Loans.

Section 2.2.1. Interest. Interest shall accrue and be paid currently on the Loans at Effective Prime or the Libor Rate for each of the Loans' Interest Periods in accordance with the Borrower's Interest Rate Elections for the Loans subject to and in accordance with the terms and conditions of this Agreement and the Note(s); provided that if a Default or an Event of Default exists and is continuing, no Interest Rate Election electing the Libor Rate shall be effective and any Prime Rate Loan shall bear interest, payable on demand, at Effective Prime plus, so long as an Event of Default exists and is continuing, four percent (4.0%) and each Libor Loan shall bear interest, payable on demand, at the Libor Rate plus four percent (4.0%); all of the foregoing being applicable until such Default or Event of Default is cured or waived and an Interest Rate Election electing the Libor Rate for such Loan or portion thereof which is effective in accordance with this Agreement is submitted to the Agent; and provided further that the Borrower shall submit Interest Rate Elections so that on any date on which under Section 2.1.1 a regularly scheduled payment of principal of the Term Loans is to be made, at least the amount of the Term Loans to be so repaid is bearing interest at Effective Prime and/or such payment date is an

Interest Adjustment Date for outstanding Libor Loans in such amount of the Term Loans. The Borrower shall pay such interest to the Agent for the pro rata account of each Lender in arrears on the Loans (including without limitation Libor Loans) outstanding from time to time after the Closing Date, such payments to be made, with respect to Libor Loans with Interest Periods of three months or

less on each Interest Adjustment Date for such Loans, and with respect to Libor Loans with Interest Periods of more than three months and with respect to Prime Rate Loans, quarterly on the last Business Day of each calendar quarter of each year after the first day of such Interest Period and on the Interest Adjustment Date for each of such Libor Loans commencing September 30, 1999. In the event no Interest Rate Election has been made by the Borrower with respect to any Loan or Advance (or an Interest Rate Election shall have expired without an effective substitute Interest Rate Election), Effective Prime shall be the rate applicable to such Loan or Advance. All provisions of each Note and any other agreements between the Borrower and the Lenders are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the Indebtedness evidenced by any Note or otherwise, shall the amount paid or agreed to be paid to the Lenders which is deemed interest under applicable law exceed the maximum permitted rate of interest under applicable law (the "Maximum Permitted Rate"), which shall mean the law in effect on the date of this Agreement, except that if there is a change in such law which results in a higher Maximum Permitted Rate, then each Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of any Note, or this Agreement or any document, instrument or agreement providing security for any Note results in the rate of interest charged under any Note being in excess of the Maximum Permitted Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. If, notwithstanding the foregoing, any Lender receives an amount which under applicable law would cause the interest rate under any Note to exceed the Maximum Permitted Rate, the portion thereof which would be excessive shall automatically be deemed a prepayment of and be applied to the unpaid principal balance of such Note to the extent of then outstanding Prime Rate Loans and not a payment of interest and to the extent said excessive portion exceeds the outstanding principal amount of Prime Rate Loans, said excessive portion shall be repaid to the Borrower.

Section 2.2.2. Fees. On the Closing Date the Borrower shall pay the Facility Fee to the Agent for the accounts of the Lenders and then and thereafter shall pay certain other fees to the Agent for the Agent's account all in accordance with the Fee Letter. In addition, on the last Business Day of each March, June, September and December commencing September 30, 1999 and continuing through the Revolving Credit Repayment Date, the Borrower shall pay to the Agent for the pro rata account of each Lender, a fee ("Unused Fees") in an amount equal to the Applicable Margin times the amount, if any, by which the average actual daily amount of the Revolving Credit Loan Commitment for the quarterly period just ended (or in the case of the first such payment, the period from the Closing Date to the date such payment is due) exceeds (a) the average of the actual daily outstanding principal balances of the Revolving Credit Loans plus (b) the average of the actual daily aggregate outstanding stated amounts of any Letters of Credit and, without duplication, Letter of Credit Agreements, and any unreimbursed amounts thereunder (the "Unused Amount").

Section 2.2.3. Increased Costs - Capital. If, after the date hereof, any Lender shall have reasonably determined that the adoption after the date hereof of any applicable law, governmental rule, regulation or order regarding capital adequacy of banks or bank holding

companies, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or such Lender's holding company with any policy, guideline, directive or request regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or such Lender's holding company as a consequence of the obligations hereunder of such Lender to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Lender or such Lender's holding company with respect to capital adequacy immediately before such adoption, change or compliance and assuming that the capital of such Lender or such Lender's holding company was fully utilized prior to such adoption, change or compliance) by an amount reasonably deemed by such Lender to be material, then such Lender shall notify the Agent and the Borrower thereof and the Borrower shall pay to the Agent for the account of such Lender from time to time as specified by such Lender such additional amounts as shall be

sufficient to compensate such Lender for such reduced return, each such payment to be made by the Borrower within ten (10) Business Days after each demand by such Lender; provided that the liability of the Borrower to pay such costs shall only accrue with respect to costs accruing from and after the 180th day prior to the date of each such demand. A certificate in reasonable detail of one of the officers of such Lender describing the event giving rise to such reduction and setting forth the amount to be paid to such Lender hereunder and a computation of such amount shall accompany any such demand and shall, in the absence of manifest error, be conclusive. In determining such amount, such Lender shall act reasonably and will use any reasonable averaging and attribution methods. If the Borrower shall, as a result of the requirements of this Section 2.2.3 above, be
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required to pay any Lender the additional costs referred to above and the Borrower, in its sole discretion, shall deem such additional amounts to be material, the Borrower shall have the right to substitute another financial institution satisfactory to the Agent for such Lender which has certified the additional costs to the Borrower, and the Agent shall use reasonable efforts at no cost to the Agent to assist the Borrower to locate such substitute financial institution. Any such substitution shall take place in accordance with Section
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9.11 and shall otherwise be on terms and conditions reasonably satisfactory to
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the Agent, and until such time as such substitution shall be consummated, the Borrower shall continue to pay such additional costs. Upon any such substitution, the Borrower shall pay or cause to be paid to the Lender that is being replaced, all principal, interest (to the date of such substitution) and other amounts owing hereunder to such Lender and such Lender will be released from liability hereunder.

Section 2.3. Notations. At the time of (i) the making of each Advance
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evidenced by any Note, (ii) each change in the interest rate under any Note effected as a result of an Interest Rate Election; and (iii) each payment or prepayment of any Note, each Lender may enter upon its records an appropriate notation evidencing (a) such Lender's Pro Rata Share of the Loans and (b) the interest rate and Interest Adjustment Date applicable thereto or (c) such payment or prepayment (voluntary or involuntary) of principal and (d) in the case of payments or prepayments (voluntary or involuntary) of principal, the portion of the applicable Loan which was paid or prepaid. No failure to make any such notation shall affect the Borrower's unconditional obligations to repay the Loans and all interest, fees and other sums due in connection with this Agreement and/or any Note in full, nor shall any such failure, standing

alone, constitute grounds for disproving a payment of principal by the Borrower. However, in the absence of manifest error, such notations and each Lender's records containing such notations shall constitute presumptive evidence of the facts stated therein, including, without limitation, the outstanding amount of such Lender's Pro Rata Share of the Loans and all amounts due and owing to such Lender at any time. Any such notations and such Lender's records containing such notations may be introduced in evidence in any judicial or administrative proceeding relating to this Agreement, the Loans or any Note.

Section 2.4. Computation of Interest. Interest due under this Agreement
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and any Note shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

Section 2.5. Time of Payments and Prepayments in Immediately Available
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Funds.

Section 2.5.1. Time. All payments and prepayments of principal,
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fees, interest and any other amounts owed from time to time under this Agreement and/or under each Note shall be made to the Agent for the pro rata account of each Lender at the address referred to in Section 9.6 in Dollars and in
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immediately available funds prior to 12:00 o'clock P.M. on the Business Day that such payment is due, provided that the Borrower hereby authorizes and instructs the Agent to charge against the Borrower's accounts with the Agent on each date on which a payment is due hereunder and/or under any Note and on any subsequent

date if and to the extent any such payment is not made when due an amount up to the principal, interest and fees due and payable to the Lenders, the Agent or any Lender hereunder and/or under any Note and such charge shall be deemed payment hereunder and under the Note(s) in question to the extent that immediately available funds are then in such accounts. The Agent shall use reasonable efforts in accordance with the Agent's customary procedures to give subsequent notice of any such charge to the Borrower, but the failure to give such notice shall not affect the validity of any such charge. To the extent that immediately available funds are then in such accounts, the failure of the Agent to charge any such account or the failure of the Agent to charge any such account prior to 12 o'clock P.M. shall not be basis for an Event of Default under Section 6.1.1 and any amount due on the Loans on such date shall be deemed
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paid; provided that the Agent shall have the right to charge any such account on any subsequent date for such unpaid payment and an Event of Default shall exist if sufficient immediately available funds are not in such accounts on the date the Agent so charges such account after the expiration of any applicable cure period. In the event of any charge against the Borrower's accounts by the Agent pursuant to the immediately preceding sentence, the Agent shall use reasonable efforts to provide notice to the Borrower of such charge in accordance with the Agent's customary procedures, but the failure to provide such notice shall not in any way be a basis for any liability of the Agent nor shall such failure adversely affect the validity and effectiveness of any such action by the Agent. Any such payment or prepayment which is received by the Agent in Dollars and in immediately available funds after 12 o'clock P.M. on a Business Day shall be deemed received for all purposes of this Agreement on the next succeeding Business Day unless the failure by Agent to receive such funds prior to 12 o'clock P.M. is due to Agent's failure to charge the account of Borrower prior to 12 o'clock P.M., except that solely for the purpose of determining whether a Default or Event of Default has occurred under Section 6.1.1, any such payment
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or prepayment, if received by the Agent prior to the close of the Agent's business on a Business Day, shall be deemed received on such Business Day. All payments of principal, interest, fees and any other amounts which are owing to any or all of the Lenders or the Agent hereunder and/or under any of

the Notes that are received by the Agent in immediately available Dollars prior to 12:00 o'clock P.M. on any Business Day shall, to the extent owing to the Lenders other than the Agent, be sent by wire transfer by the Agent to any such other Lenders (in each case, without deduction for any claim, defense or offset of any type) before 3:00 o'clock P.M. on the same Business Day. Each such wire transfer shall be addressed to each Lender in accordance with the wire instructions set forth in Exhibit 1.9 hereto. The amount of each payment wired
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by the Agent to each such Lender shall be such amount as shall be necessary to provide such Lender with its Pro Rata Share of such payment (without consideration or use of any contra accounts of any Lender), or with such other amount as may be owing to such Lender in accordance with this Agreement (in each case, without deduction for any claim, defense or offset of any type). Each such wire transfer shall be sent by the Agent only after the Agent has received immediately available Dollars from or on behalf of the Borrower and each such wire transfer shall provide each Lender receiving same with immediately available Dollars on receipt by such Lender. Any such payments of immediately available Dollars received by the Agent after 12:00 o'clock P.M. and before 3:00 o'clock P.M. on any Business Day shall be forwarded in the same manner by the Agent to such Lender(s) as soon as practicable on said Business Day, and if any such payments of immediately available Dollars are received by the Agent after 3:00 o'clock P.M. on a Business Day, the Agent shall so forward same to such Lender(s) before 10:00 o'clock A.M. on the immediately succeeding Business Day.

Section 2.5.2. Setoff, etc. Borrower hereby grants and upon creation
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of each Subsidiary, shall cause such Subsidiary to grant to the Agent and each Lender a Lien, security interest and right of setoff as security for all Obligations to the Agent and such Lender whether now existing or hereafter arising. Regardless of the adequacy of any collateral for any of the Obligations, and subject to the provisions of Article 7.1 upon the occurrence
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and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final)

credits, collateral and property at any time in the possession , custody, safekeeping or control of such Lender or any entity under the control of any Lender's holding company or in transit to any of them and any other Indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower irrespective of whether or not such Lender shall have made any demand under this Agreement or any Note and although such obligations may be unmatured. Each such Lender agrees to promptly notify the Borrower and the Agent after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application. Promptly following any notice of setoff received by the Agent from a Lender pursuant to the foregoing, the Agent shall notify each other Lender thereof. The rights of each Lender under this Section 2.5.2 are in addition to all other rights and remedies (including, without limitation, other rights of setoff) which such Lender may have and are subject to Section 9.12. ANY AND ALL RIGHTS TO REQUIRE THE AGENT OR ANY LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOANS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

Section 2.5.3. Unconditional Obligations and No Deductions.

Section 2.5.3.1. The Borrower's obligation to make all payments provided for in this Agreement and the other Financing Documents shall be unconditional. Each such payment shall be made without deduction for any claim, defense or offset of any type, including without limitation any withholdings and other deductions on account of income or other taxes (except to the extent provided in Section 2.5.3.2) and regardless of whether any claims, defenses or offsets of any type exist.

Section 2.5.3.2. (a) Any and all payments by the Borrower to or for the account of any Lender or the Agent hereunder or under any other Financing Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its applicable lending office) or the Agent (as the case may be) is organized or any political subdivision thereof, other than to the extent such income or franchise tax is imposed solely as a result of the activities of the Agent or a Lender pursuant to or in respect of this Agreement or any of the other Financing Documents (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under this Agreement or any other Financing Document to any Lender or the Agent,(i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.5.3.2) such Lender or the Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (iv) the Borrower shall furnish to the Agent, at its address referred to in Section 9.6 hereof, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Agreement or any other Financing Document or from the execution or delivery of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender and the Agent for the

full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.5.3.2) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower or the Agent (but only so long as such Lender remains lawfully able to do so), shall

provide the Borrower and the Agent with (i) a properly completed Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) a properly completed Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from United States backup withholding, and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Agreement or any of the other Financing Documents.

(e) For any period with respect to which a Lender has failed to provide the Borrower and the Agent with the appropriate form pursuant to Section 2.5.3.2(d) hereof (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 2.5.3.2(a) or 2.5.3.2(b) hereof with respect to Taxes imposed by by the United States; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request and at such Lender's cost to assist such Lender to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.5.3.2, then such Lender will agree to use reasonable efforts to change the jurisdiction of its applicable lending office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender. Alternatively, in the event of such an additional cost, the Borrower shall have the right to substitute another bank satisfactory to the Agent, and the Agent and such Lender shall use reasonable efforts at no cost to the Agent and such Lender to assist the Borrower to locate and effect the substitution in favor of such substitute bank. Any such substitution shall take place in accordance with Section 9.11 and shall otherwise be on terms and conditions reasonably satisfactory to the Agent, and until such time as such substitution shall be consummated, the Borrower shall continue to pay such additional costs. Upon any such substitution, the Borrower shall pay or cause to be paid to the Lender that is being replaced, all principal, interest (to the date of such substitution) and other amounts owing hereunder to such Lender and such Lender will be released from liability hereunder.

(g) Within thirty (30) days after the date of any payment of Taxes, the Borrower shall furnish to the Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.5.3.2 shall survive until the first anniversary of the Repayment Date.

(i) If the Borrower makes any additional payment to any Lender pursuant to this Section 2.5.3.2 in respect of any Taxes, and such Lender determines that it has received (i) a

refund of such Taxes, or (ii) a credit against, relief or remission for, or a reduction in the amount of, any tax or other governmental charge as a result of any deduction or credit for any Taxes with respect to which it has received payments under this Section 2.5.3.2, such Lender shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to the Borrower such amount as shall be reasonably determined by such Lender to be solely attributable to the deduction or withholding of such Taxes. If such Lender later determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 2.5.3.2(i), the Borrower shall upon demand of such Lender promptly repay the amount of such overpayment. Nothing in this Section 2.5.3.2(i) shall be construed as requiring such Lender to conduct its business or to arrange or alter in any respect its tax or financial affairs so that it is entitled to receive such a refund, credit or reduction or as allowing any Person to inspect any records, including tax returns, of such Lender.

Section 2.6. Prepayment and Certain Payments.

Section 2.6.1. Mandatory Payments.

Section 2.6.1.1. In addition to each other principal payment required hereunder, the outstanding principal balances of the Term Loans shall be repaid on the Term Loan Repayment Date and the outstanding principal balances of the Revolving Credit Loans shall be repaid on the Revolving Credit Repayment Date.

Section 2.6.1.2. On or before the 120th day after the end of each fiscal year of the Borrower commencing with the fiscal year ending December 31, 2000, the Borrower shall prepay to the Agent for the accounts of the Lenders in accordance with their Pro Rata Shares an amount of the outstanding principal balances of the Term Loans equal to (i) (a) if the Borrower's Leverage Ratio at the end of such fiscal year is Level V, 75%, (b) if the Borrower's Leverage Ratio at the end of such fiscal year is at Level III or IV and no Default or Event of Default exists, 50% and (c) otherwise, if no Default or Event of Default exists, 0% of the amount, if any, of Excess Cash Flow for such fiscal year less (ii) voluntary prepayments of the Term Loan made during such fiscal year until the final eight regularly scheduled installments of principal of the Term Loan have been paid in full. Such prepayments shall be in addition to any and all other mandatory and voluntary prepayments required or permitted hereunder and shall be applied to the principal installments of the Term Loans in accordance with Section 2.6.1.7. For purposes of this Section the Leverage Ratio shall be determined on the basis of the Borrower's audited financial statements for the Borrower fiscal year in question.

Section 2.6.1.3. In the event that the Borrower or any Subsidiary is entitled to receive, collectively, proceeds from any casualty insurance policies maintained by any of them on account of any interest of the Borrower and/or any Subsidiary in any property, which proceeds are in an aggregate amount in excess of $500,000 with respect to any occurrence or related series of occurrences during the term of this Agreement, such proceeds shall be received by the Agent and, to the extent that such proceeds result from a casualty to property of the Borrower and/or any Subsidiary, so long as no Default or Event of Default exists and is continuing and the Borrower elects to repair, replace or restore such property, such proceeds shall be released to the

Borrower subject to reasonable procedures and conditions established by

the Agent to the extent necessary to so repair, replace or restore such property within 3 months (or as soon as reasonably practicable if such restoration, replacement or repair is not reasonably susceptible to being completed within 3 months) from the date of receipt of such proceeds by the Agent and to the extent such proceeds are not so used or do not result from such a casualty, the Borrower shall make a prepayment of the Term Loans for the accounts of the Lenders in accordance with their Pro Rata Shares upon written notice from the Agent. All such payments shall be applied to the principal installments of the Term Loans in accordance with Section 2.6.1.7.

Section 2.6.1.4. In the event that the Borrower and/or any Subsidiary sells, assigns or otherwise transfers title to any asset other than in the ordinary course of its business for net cash proceeds in the aggregate since the Closing Date in excess of $250,000, the Borrower and/or such Subsidiary shall remit 100% of the net cash proceeds of such sale, assignment or other transfer to the Agent for the accounts of the Lenders in accordance with their Pro Rata Shares to be applied to the principal installments of the Term Loans in accordance with Section 2.6.1.7 within 10 Business Days of the date of Borrower's or any Subsidiary's receipt of such net cash proceeds; provided, however, that Borrower may sell any of its equipment which is obsolete, worn-out or no longer used or useful in Borrower's business and Borrower may use the proceeds of such sale to purchase other equipment which is useful or necessary in the operation of Borrower's business.

Section 2.6.1.5. In the event that the Borrower and/or any Subsidiary conducts a Qualified Initial Public Offering of any class of the Borrower's or any Subsidiary's securities or issues subordinated indebtedness (other than intercompany Indebtedness permitted under Section 5.2.8.6) or issues any additional equity, the Borrower and/or such Subsidiary, upon receipt of the net aggregate cash consideration from the sale of any such shares of its capital stock or the issuance of subordinated indebtedness shall prepay to the Agent for the accounts of the Lenders in accordance with their Pro Rata Shares an amount of the outstanding principal balances of the Term Loans equal to the lesser of (a) the full amount of such net consideration and (b) that amount necessary to reduce the Borrower's ratio of total Indebtedness for Borrowed Money to EBITDA to less than 1.0:1.0, and the Commitment shall be permanently reduced to an amount which, if fully outstanding as Loans and Letters of Credit and, without duplication, Letter of Credit Agreements or unreimbursed amounts drawn thereunder would result in such ratio being less than 1.0:1.0. The amount of such prepayment shall be applied to the installments of the Term Loans in accordance with Section 2.6.1.7.

Section 2.6.1.6. If at any time the aggregate principal amount of the Revolving Credit Loans plus the aggregate outstanding stated amounts of any Letters of Credit and, without duplication, Letter of Credit Agreements and any unreimbursed amounts drawn thereunder shall exceed the Revolving Credit Loan Commitment, the Borrower shall immediately pay to the Agent in immediately available Dollars the amount of such excess.

Section 2.6.1.7. Any amounts repaid by the Borrower and/or any Subsidiary under this Section 2.6.1 (other than pursuant to Section 2.6.1.6) shall be paid without premium or penalty and shall be applied to the principal installments of the Term Loans under Section 2.1.1 in accordance with the following: the first $26,300,000 shall be applied to reduce on a pro rata basis each of the final eight quarterly installments and thereafter, such amounts

shall be applied on a pro-rata basis to the respective amounts of the remaining

payments to reduce such remaining quarterly payments; provided, however, that after prepayment of said final eight quarterly installments no further prepayments under Section 2.6.1.2 shall be required. In the event that any payment or prepayment of a Libor Loan under this Section 2.6.1 (other than pursuant to Section 2.6.1.6) is received on a date other than the last day of an Interest Period, such payment or prepayment shall be held by the Agent in a separate account and be pledged to the Agent as collateral for the Obligations of the Borrower arising in connection with the Financing Documents until the last day of the then current Interest Period, at which time the Agent shall apply such payment or prepayment, for the account of the Lenders in accordance with their Pro Rata Shares, to the outstanding Libor Loans, for which such day is an Interest Adjustment Date.

Section 2.6.1.8. The Borrower shall take such action as may be necessary to cause the prepayment provisions of Section 5.1.24 to be fulfilled.

Section 2.6.2. Voluntary Prepayments. All or any portion of the unpaid principal balance of the Loans (other than portions of any Loans constituting Libor Loans) may be prepaid at any time, without premium or penalty, by giving the Agent at least 3 days' prior written notice of such prepayment and by a payment to the Agent for the accounts of the Lenders in accordance with their Pro Rata Shares of such prepayment in immediately available Dollars by the Borrower; provided that each such partial payment or prepayment of principal of the Loans shall be in a principal amount of at least $1,000,000 or an integral multiple of $100,000 in excess thereof and provided further that each such prepayment of the Term Loans shall be applied to the principal installments of the Term Loans in the inverse order of their maturities.

Section 2.6.3. Prepayment of Libor Loans. Notwithstanding anything to the contrary contained in any Note or in any other agreement executed in connection herewith or therewith, the Borrower shall be permitted to prepay any portion of the Loans constituting Libor Loans only in accordance with Section 2.9 hereof.

Section 2.6.4. Permanent Reduction of Commitment. At the Borrower's option the Commitment and the Revolving Credit Loan Commitment may be permanently and irrevocably reduced in whole or in part by an amount of at least $1,000,000 and to the extent in excess thereof in integral multiples of $100,000 at any time; provided that (i) the Borrower gives the Agent written notice of the exercise of such option at least three (3) Business Days prior to the effective date thereof, (ii) the aggregate outstanding balance of the Loans, if any, does not exceed the Commitment and the aggregate outstanding balance of the Revolving Credit Loans, plus the aggregate outstanding amount of any Letters of Credit or Letter of Credit Agreement and any unreimbursed drawn amounts thereunder, if any, does not exceed the Revolving Credit Loan Commitment, both as so reduced in any such case on the effective date of such reduction and (iii) the Borrower is not, and after giving effect to such reduction, would not be in violation of Section 2.6.3. Any such reduction shall concurrently reduce the Dollar amount of each Lender's Pro Rata Share of the Commitment and the Revolving Credit Loan Commitment.

Section 2.7. Payment on Non-Business Days. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day other than a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in

such case be included in the computation of payment of fees, if any, and interest under this Agreement and under such Note.

Section 2.8. Use of Proceeds. (a) The Borrower shall use the proceeds of the Term Loans to pay a distribution to the Members and shall use the proceeds of the Revolving Credit Loans to pay costs incurred by the Borrower in connection with the closing of the Loans, for Borrower's working capital needs, capital expenditures and for Investments permitted by Section 5.2.12. The Borrower shall obtain any Letters of Credit solely for working capital and general corporate purposes.

(b) No portion of the proceeds of any Loans is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of (a) knowingly purchasing, or providing credit support for the purchase of, Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities or (b) knowingly purchasing, or providing credit support for the purchase of, during the underwriting or placement period, any Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary,

Section 2.9. Special Libor Loan Provisions. The Libor Loans shall be subject to and governed by the following terms and conditions:

Section 2.9.1. Requests. Each Request accompanied by an Interest Rate Election selecting the Libor Rate must be received by the Agent in accordance with the definition of Interest Rate Election.

Section 2.9.2. Libor Loans Unavailable. Notwithstanding any other provision of this Agreement, if, prior to or on the date on which all or any portion of the Loans is to be made as or converted into a Libor Loan, any of the Lenders (or the Agent with respect to (ii) below) shall reasonably determine (which determination shall be conclusive and binding on the Borrower), that

(i) Dollar deposits in the relevant amounts and for the relevant Interest Period are not offered to such Lender in the London interbank market,

(ii) by reason of circumstances affecting the London interbank market, adequate and reasonable means do not exist for ascertaining the Adjusted Libor Rate, or

(iii) the Adjusted Libor Rate shall no longer represent the effective cost to such Lender for Dollar deposits in the London interbank market for reasons other than the fact, standing alone, that the Adjusted Libor Rate is based on an averaging of rates determined by the Agent and that such Lender's rate may exceed such average,

such Lender may elect not to accept any Interest Rate Election electing a Libor Loan and such Lender shall notify the Agent by telephone or telex thereof, stating the reasons therefor, not later than the close of business on the second Business Day prior to the date on which such Libor Loan is to be made. The Agent shall promptly give notice of such determination and the reason therefor to the Borrower, and all or such portion of the Loans, as the case may be, which are

subject to any of Section 2.9.2 (i), (ii) through (iii) as a result of such Lender's determination shall be made as or converted into, as the case may be, Prime Rate Loans and such Lender shall have no further obligation to make Libor Loans, until further written notice to the contrary is given by the Agent to the Borrower. If such circumstances subsequently change so that such Lender shall no longer be so affected, such Lender's obligation to make or maintain its Pro Rata Share of all or any portion of the Loans as Libor Loans shall be reinstated when such Lender obtains actual knowledge of such change of circumstances and promptly after obtaining such actual knowledge such Lender shall forward written notice thereof to the Agent. After receipt of such notice, the Agent shall promptly forward written notice thereof to the Borrower. Upon or after receipt by the Borrower of such written notice, the Borrower may submit an Interest Rate Election in accordance with this Agreement electing an Interest Period ending no later than the Interest Adjustment Date for the then current Interest Period for the other Lenders' Pro Rata Shares of Libor Loans and electing the Libor Rate

for such Lenders' or Lender's Pro Rata Share(s) of the Loans as to which such Lender's or Lenders' obligation(s) to make or maintain its or their Pro Rata Share(s) of the Loans as Libor Loans was suspended and such Pro Rata Share(s) shall be converted to Libor Loans in accordance with this Agreement. During any period throughout which any of the Lenders has or have no obligation to make or maintain its or their Pro Rata Share(s) of the Loans as Libor Loans, no Interest Rate Elections electing the Libor Rate shall be effective with regard to the Loans to the extent of the Pro Rata Share(s) of such Lender(s), but shall be effective as to the other Lenders.

Section 2.9.3. Libor Lending Unlawful. In the event that after the date of this Agreement any change in applicable laws or regulations (including the introduction of any new applicable law or regulation) or in the interpretation thereof (whether or not having the force of law) by any governmental or other regulatory authority charged with the administration thereof, shall make it unlawful for any of the Lenders to make or continue to maintain its Pro Rata Share of all or any portion of the Loans as Libor Loans, each such Lender shall promptly notify the Agent by telephone or telex thereof, and of the reasons therefor, and the obligation of such Lender to make or maintain its Pro Rata Share of the Loans or such portion thereof as Libor Loans shall, upon the happening of such event, terminate and the Agent shall, by telephonic notice to the Borrower, declare that such obligation has so terminated with respect to such Lender, and such Pro Rata Share of the Loans or any portion thereof to the extent then maintained as Libor Loans, shall, on the last day on which such Lender can lawfully continue to maintain such Pro Rata Share of the Loans or any portion thereof as Libor Loans, automatically convert into Prime Rate Loans without additional cost to the Borrower. If circumstances subsequently change so that such Lender shall no longer be so affected, such Lender's obligation to make or maintain its Pro Rata Share of all or any portion of the Loans as Libor Loans shall be reinstated when such Lender obtains actual knowledge of such change of circumstances, and promptly after obtaining such actual knowledge such Lender shall forward written notice thereof to the Agent. After receipt of such notice, the Agent shall promptly forward written notice thereof the Borrower. Upon or after receipt by the Borrower of such written notice, the Borrower may submit an Interest Rate Election in accordance with this Agreement electing an Interest Period ending no later than the Interest Adjustment Date for the then current Interest Period for the other Lenders' Pro Rata Shares of Libor Loans and electing the Libor Rate for such Lenders' or Lender's Pro Rata Share(s) of the Loans as to which such Lender's or Lenders' obligation(s) to make or maintain its or their Pro Rata Share(s) of the Loans as Libor Loans was suspended and such Pro Rata Share(s) shall be converted to Libor Loans in accordance with this Agreement.

During any period throughout which any of the Lenders has or have no obligation to make or maintain its or their Pro Rata Share(s) of the Loans as Libor Loans, no Interest Rate Elections electing the Libor Rate shall be effective with regard to the Loans to the extent of the Pro Rata Share(s) of such Lender(s), but shall be effective as to the other Lenders.

Section 2.9.4. Additional Costs on Libor Loans. The Borrower further agrees to pay to the Agent for the account of the applicable Lender or Lenders such amounts as will compensate any of the Lenders for any increase in the cost to such Lender of making or maintaining (or of its obligation to make or maintain) all or any portion of its Pro Rata Share of the Loans as Libor Loans and for any reduction in the amount of any sum receivable by such Lender under this Agreement in respect of making or maintaining all or any portion of such Lender's Pro Rata Share of the Loans as Libor Loans, in either case, from time to time by reason of:

(i) any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, such Lender, under or pursuant to any law, treaty, rule, regulation (including, without limitation, any Regulations of the Board of Governors of the Federal Reserve System) or requirement in effect on or after the date hereof, any interpretation thereof by any governmental authority charged with administration thereof or by any central bank or other fiscal or monetary authority or other authority, or any requirement imposed by any central bank or such other authority whether or not having the force of law; or

(ii) any change after the date hereof in (including the introduction of any new) applicable law, treaty, rule, regulation or requirement or in the interpretation thereof by any official authority, or the imposition of any requirement of any central bank, whether or not having the force of law, which shall subject such Lender to any tax (other than taxes on net income imposed on such Lender), levy, impost, charge, fee, duty, deduction or withholding of any kind whatsoever or change the taxation of such Lender with respect to making or maintaining all or any portion of its Pro Rata Share of the Loans as Libor Loans and the interest thereon (other than any change which affects, and to the extent that it affects, the taxation of net income of such Lender); provided, that with respect to any withholding the foregoing shall not apply to any withholding tax described in sections 1441, 1442 or 3406 of the Code, or any succeeding provision of any legislation that amends, supplements or replaces any such section, or to any tax, levy, impost, duty, charge, fee, deduction or withholding that results from any noncompliance by a Lender with any federal, state or foreign law or from any failure by a Lender to file or furnish any report, return, statement or form the filing or furnishing of which would not have an adverse effect on such Lender and would eliminate such tax, impost, duty, deduction or withholding;

In any such event, such Lender shall promptly notify the Agent thereof, and of the reasons therefor, and the Agent shall promptly notify the Borrower thereof in writing stating the reasons provided to the Agent by such Lender therefor and the additional amounts required to fully compensate such Lender for such increased or new cost or reduced amount as reasonably determined by such Lender. Such additional amounts shall be payable on each date on which interest is to be paid hereunder or, if there is no outstanding principal amount under any of the Notes, within 10 Business Days after the Borrower's receipt of said notice. Such Lender's

certificate as to any such increased or new cost or reduced amount (including calculations, in reasonable detail, showing how such Lender computed such cost or reduction) shall be submitted by the Agent to the Borrower and shall, in the absence of manifest error, be conclusive. In determining any such amount, the Lender(s) may use any reasonable averaging and attribution methods. Notwithstanding anything to the contrary set forth above, the Borrower shall not be obligated to pay any amounts pursuant to this Section 2.9.4 as a result of
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any requirement or change referenced above with respect to any period prior to the one hundred and eightieth (180th) day prior to the date on which the Borrower is first notified thereof (other than any amounts which relate to any such requirement or change which is adopted with retroactive effect in which case the Borrower shall be obligated to pay all such amounts accrued from the date as of which such requirement or change is retroactively effective) unless the failure to give such notice within such one hundred and eighty (180) day period resulted from reasonable circumstances beyond such Lender's reasonable control.

Section 2.9.5. Libor Funding Losses. In the event that any payment
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or prepayment of a Libor Loan is received on a date other than the last day of an Interest Period, unless such payment is pursuant to Section 2.6.1.6 or a
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Default or Event of Default has occurred and is continuing, such payment or prepayment shall be held by the Agent in a separate account and be pledged to the Agent as collateral for the obligations of the Borrower arising in connection with this Agreement, the Notes and the other Financing Documents until the end of the then current Interest Period, at which time the Agent shall apply such payment or prepayment, for the accounts of the Lenders in accordance with their Pro Rata Shares, to the outstanding Libor Loans. Notwithstanding the foregoing, in the event any of the Lenders shall incur any actual loss or expense (including, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain all or any portion of the Loans as Libor Loans) as a result of:

(i) payment or prepayment by the Borrower of all or any portion of any Libor Loan on a date other than the Interest Adjustment Date for such Libor Loan, for any reason; provided, however that this clause shall not be deemed to grant the Borrower any right to convert a Libor Loan to a Prime Rate Loan prior to the end of any Interest Period or to imply such right;

(ii) conversion of all or any portion of any Libor Loan on a day other than the last day of an Interest Period applicable to such Loan to a Prime Rate Loan for any reason including, without limitation, acceleration of the Loans upon or after an Event of Default, any Interest Rate Election or any other cause whether voluntary or involuntary and whether or not referred to or described in this Agreement, other than any such conversion resulting solely from application of Sections 2.9.2 or 2.9.3 by any Lender;

or

(iii) any failure by the Borrower to borrow the Loans as Libor Loans on the date specified in any Interest Rate Election selecting the Libor Rate, other than any such failure resulting solely from application of Sections 2.9.2 or 2.9.3 by any Lender;

such Lender shall promptly notify the Agent thereof, and of the reasons therefor. Upon the request of the Agent, the Borrower shall pay directly to the Agent for the account of such Lender such amount as will (in the reasonable determination of such Lender, which shall be conclusive

in the absence of manifest error) reimburse such Lender for such actual loss or expense. Each Lender shall furnish to the Borrower, upon written request from the Borrower received by the Agent, a written statement setting forth the computation of any such amounts payable to such Lender under this Section 2.9.5.

Section 2.9.6. Banking Practices. Each Lender agrees that upon the occurrence of any of the events described in Sections 2.2.3 and/or 2.9.2, 2.9.4 or 2.9.5, such Lender will exercise all reasonable efforts to take such reasonable actions at no expense to such Lender (other than reasonable expenses which are covered by the Borrower's advance deposit of funds with such Lender for such purpose, or if such Lender agrees, which the Borrower has agreed to pay or reimburse to such Lender in full upon demand), in accordance with such Lender's usual banking practices in such situations and subject to any statutory or regulatory requirements applicable to such Lender, as such Lender may take without the consent or participation of any other Person to, in the case of an event described in Sections 2.2.3 and/or 2.9.4 or 2.9.5, mitigate the cost of such events to the Borrower and, in the case of an event described in Sections 2.9.2(i), (ii) or (iii), to seek Dollar deposits in any other interbank Libor market in which such Lender regularly participates and in which the applicable determination(s) described in Sections 2.9.2(i), (ii) or (iii), as the case may be, does not apply.

Section 2.9.7. Borrower's Options on Unavailability or Increased Cost of Libor Loans. In the event of any conversion of all or any portion of any Lender's Pro Rata Share of any Libor Loans to a Prime Rate Loan for reasons beyond the Borrower's control or in the event that any Lender's Pro Rata Share of all or any portion of the Libor Loans becomes subject, under Sections 2.9.4 or 2.9.5, to additional costs, the Borrower shall have the option, subject to the other terms and conditions of this Agreement, to convert such Lender's Pro Rata Share to a Prime Rate Loan by making Interest Rate Elections for Interest Periods which (i) end on the Interest Adjustment Date for such Libor Loan or (ii) end on Business Days occurring prior to such Interest Adjustment Date, in which case, at the end of the last of such Interest Periods any such Libor Rate Loan shall automatically convert to a Prime Rate Loan and the Borrower shall have no further right to make an Interest Rate Election with respect to such Prime Rate Loan other than an Interest Rate Election which is effective on the Interest Adjustment Date for such Libor Loan. The Borrower's options set forth in this Section 2.9.7 may be exercised, if and only if the Borrower pays,

concurrently with delivery to the Agent of each such Interest Rate Election and thereafter in accordance with Sections 2.9.4, 2.9.5 and 2.9.6 all amounts provided for therein to the Agent in accordance with this Agreement.

If the Borrower shall, as a result of the requirements of Section 2.9.4 above, be required to pay any Lender the additional costs referred to therein, but not be required to pay such additional costs to the other Lender or Lenders and the Borrower, in its sole discretion, shall deem such additional amounts to be material or in the event that Libor Loans from a Lender are unavailable to the Borrower as a result solely of the provisions of Sections 2.9.2, 2.9.3 or 2.9.4, but are available from the other Lender or Lenders, the Borrower shall have the right to substitute another financial institution satisfactory to the Agent for such Lender which is entitled to such additional costs or which is relieved from making Libor Loans and the Agent shall use reasonable efforts (with all reasonable costs of such efforts by the Agent to be borne by the Borrower) to assist the Borrower to locate such substitute financial institution. Any such substitution shall take place in accordance with Section 9.11 and otherwise be on terms and

conditions reasonably satisfactory to the Agent, and until such time as such substitution shall be consummated, the Borrower shall continue to pay such additional costs and comply with the above-referenced Sections. Upon any such substitution, the Borrower shall pay or cause to be paid to the Lender that is being replaced, all principal, interest (to the date of such substitution) and other amounts owing hereunder to such Lender and such Lender will be released from liability hereunder.

Section 2.9.8. Assumptions Concerning Funding of Libor Loans. The calculation of all amounts payable to the Lenders under this Section 2.9 shall be made as though each Lender actually funded its relevant Libor Loans through the purchase of a deposit in the London interbank market bearing interest at the Libor Rate in an amount equal to that Libor Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such deposit from an offshore office of such Lender to a domestic office of such Lender in the United States of America; provided, however, that each Lender may fund each of its Libor Loans in any manner it sees fit and the foregoing assumption shall be utilized solely for the calculation of amounts payable under this Section 2.9.

Section 2.10. Interest Rate Protection. On or before March 31, 2000, the Borrower shall enter into an interest rate protection arrangement covering not less than $25,000,000 of the then outstanding Term Loans . Such interest rate protection arrangement may consist of any one or a combination of the following: (i) the purchase of an interest rate swap arrangement from a financial institution reasonably acceptable to the Agent covering such Loans effectively converting the Borrower's interest payment obligations with respect to such portion of the Term Loans to a fixed rate per annum of not more than ten percent (10%) for a term expiring not earlier than December 31, 2002 or (ii) the purchase of an interest rate cap from a financial institution reasonably acceptable to the Agent covering such Loans at a cap rate per annum equal to not more than ten percent (10%)for a term expiring not earlier than December 31, 2002. The other terms and conditions of any such interest rate swap or interest rate cap shall be reasonably satisfactory to the Majority Lenders.

ARTICLE 3.

CONDITIONS OF LENDING

Section 3.1. Conditions Precedent to the Commitment and to all Loans.

Section 3.1.1. The Commitment and Initial Loans. The Commitment and the obligation of the Lenders to make the initial Advances of the Loans and/or to issue any Letter of Credit or Letter of Credit Agreement are subject to performance by the Borrower of all of its obligations under this Agreement and to the satisfaction of the conditions precedent that all legal matters incident to the transactions contemplated hereby or incidental to the Loans shall be reasonably satisfactory to counsel for the Agent and that the Lenders shall have received on or before the Closing Date all of the following, each dated the Closing Date or another date acceptable to the Lenders and each to be in form and substance reasonably satisfactory to the Agent or if any of the following is not a deliverable, the satisfaction of such condition in form and substance reasonably satisfactory to the Agent:

Section 3.1.1.1. The Financing Documents, including, without limitation, those hereinafter set forth and the Borrower's and any Subsidiary's certificate of incorporation or other organizational documents, by-laws and each agreement or instrument relating thereto.

Section 3.1.1.2. Certificate of the secretary, clerk or similar officer of the Borrower and each Subsidiary certifying as to the resolutions of the shareholders or board of directors of the Borrower and each Subsidiary authorizing and approving each of the Financing Documents to which the Borrower and each Subsidiary is a party and other matters contemplated hereby and certifying as to the names and signatures of the Authorized Representative(s) of the Borrower and each Subsidiary authorized to sign each Financing Document to be executed and delivered by or on behalf of the Borrower and each Subsidiary. The Agent and the Lenders may conclusively rely on each such certificate until the Agent shall receive a further certificate canceling or amending the prior certificate and submitting the signatures of the Authorized Representative(s) named in such further certificate.

Section 3.1.1.3. Favorable opinions of Wilson Sonsini Goodrich & Rosati, counsel for the Borrower, in form and substance reasonably satisfactory to the Agent.

Section 3.1.1.4. An Officer's Certificate stating that:

Section 3.1.1.4.1. The representations and warranties contained in Section 4.1 and/or contained in any of the other Financing Documents are correct on and as of the Closing Date as though made on and as of such date; and

Section 3.1.1.4.2. No Default or Event of Default has occurred and is continuing, or would result from the making of the Loans.

Section 3.1.1.5. Certificates of good standing or legal existence of the secretaries of state (or equivalent officials) of the states (or jurisdictions) of organization and qualification of and covering the Borrower and any Subsidiaries dated reasonably near the Closing Date.

Section 3.1.1.6. Evidence that the ownership interests in the Borrower are as set forth in Exhibit 1.1 of the Disclosure Letter.

Section 3.1.1.7. A Request and an Interest Rate Election.

Section 3.1.1.8. All documents, instruments and agreements necessary to terminate, cancel and discharge the documents, instruments and agreements evidencing or securing any and all existing Indebtedness of the Borrower and any Subsidiary and Liens securing such Indebtedness other than those listed in

Exhibit 3.1.1.8 to the Disclosure Letter.

Section 3.1.1.9. Payment to the Agent and the Lenders of the fees specified in this Agreement or in the Fee Letter as being payable on the Closing Date and all reasonable out-of-pocket costs and expenses incurred by the Agent and Fleet in connection with the transactions contemplated hereby, including, but not limited to, reasonable outside legal

expenses and any accounting fees, auditing fees, appraisal fees, and other fees associated with any independent analyses of the Borrower and any Subsidiary and evidence that all other reasonable fees and costs payable by the Borrower in connection with the transactions contemplated by the Financing Documents and completed on the Closing Date have been paid in full.

Section 3.1.1.10. An Officer's Certificate in the form of Exhibit 3.1.1.10, duly completed and reflecting, inter alia, compliance by the Borrower as of the opening of business on the first Business Day after the Closing Date but based on the Borrower's financial information as of the last day of the Borrower's most recent fiscal quarter, adjusted to give effect to the Loans made on the Closing Date and completion of the Related Transactions to be completed on or prior to the Closing Date, with the financial covenants provided for herein.

Section 3.1.1.11. Such other information about the Borrower, any Subsidiaries and/or their Business Condition as the Lenders may reasonably request.

Section 3.1.1.12. True copies of, and/or true copies of any revisions to, the financial statements, the Projections, the pro forma Closing Date financial statements giving effect to the Loans, the Equity to be received on or prior to the Closing Date and completion of the other Related Transactions to be completed on or prior to the Closing Date, and other information provided pursuant to Section 4.1.5 and certification by the Borrower of the Projections.

Section 3.1.1.13. Certificates of fire, business interruption, liability and extended coverage insurance policies, each such policy to name the Agent as mortgagee and loss payee and, on all liability policies, as additional insured.

Section 3.1.1.14. True descriptions of any pending or threatened litigation against or by Borrower or any Subsidiary.

Section 3.1.1.15. Evidence that all necessary material third party consents to the Related Transactions and the Loans have been obtained and remain in effect without the imposition of any terms or condition not reasonably acceptable to the Lenders and all required filings with any governmental authority have been duly completed.

Section 3.1.1.16. The financial statements described in Section 4.1.5 together with the Borrower's pro forma Closing Date balance sheet. Such financial statements shall be accompanied by an Officer's Certificate of the chief financial officer of the Borrower to the effect that (i) the representations of the Borrower set forth in Section 4.1.14 are accurate as of the Closing Date and (ii) that no Material Adverse Effect has occurred since the date of the Borrower's most recent audited financial statements delivered to the Lenders except as set forth or reflected in the financial statements described in Section 4.1.5 or otherwise disclosed in writing and acceptable to the Agent.

Section 3.1.1.17. True copies of (i) the Equity Documents, (ii) all

other documents, instruments and agreements relating to the Borrower's capital structure.

Section 3.1.1.18. The fact that the representations and warranties of the Borrower contained in Article 4, infra, and in each of the other Financing Documents are true and correct in all material respects on and as of the Closing Date except as altered hereafter by actions not prohibited hereunder. The Borrower's delivery of each Note and Letter of Credit Agreement to the Lenders and of each Request to the Agent shall be deemed to be a representation and warranty by the Borrower as of the date thereof to such effect.

Section 3.1.1.19. That there has been no enactment of any law or regulation by any Governmental Authority which would make it (i) unlawful, or (ii) prevent, restrain or impose conditions which the Lenders determine to be adverse, in any respect as to the foregoing, to the making of the Loans and/or the completion of the Related Transactions.

Section 3.1.1.20. A completed Year 2000 questionnaire covering the Borrower and any Subsidiaries.

Section 3.1.1.21. The Security Documents, after the completion of any required filings or recordations, will grant to the Agent perfected, first priority security interests or mortgages, as the case may be, subject to Permitted Encumbrances with respect to the collateral identified therein and the Agent shall received the favorable opinions of counsel referred to in Section 3.1.1.3 above with respect to such perfection. The Agent shall also have received such searches, landlord consents, access agreements and/or title insurance commitments as reasonably requested by the Agent, all in form and substance reasonably satisfactory to the Agent and/or its counsel. Without limiting the generality of the foregoing, the Agent shall be reasonably satisfied with the terms and conditions of all real property leases in which the Borrower and any Subsidiary has a leasehold interest, including the terms of such leaseholds and the assumability of the lessee's obligations thereunder upon the transfer of or foreclosure upon of the Borrower's or any Subsidiary's leasehold interest.

Section 3.1.1.22. No Material Adverse Effect has occurred and there shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or Governmental Authority that could reasonably be expected to result in a Material Adverse Effect.

Section 3.1.1.23. All information and materials supplied by the Borrower to the Agent prior to the date hereof including, without limitation, the Disclosure Letter shall be true and correct in all material aspects (except that the Projections shall be as described in Section 4.1.5.4); and no additional information shall have come to the attention of the Agent or the Lenders that is inconsistent in any material respect with the information and materials supplied to the Agent prior to the date hereof or that could reasonably be expected to have a Material Adverse Effect.

Section 3.1.2. The Commitment and the Loans. The Commitment and the obligation of each Lender to make or maintain its Pro Rata Share of any Advance or Loan and/or to issue any Letter of Credit or Letter of Credit Agreement are subject to performance by the Borrower of all its obligations under this Agreement and to the satisfaction of the following further conditions precedent:

(a) The fact that, immediately prior to and upon the making of each Loan, no Event of Default or Default shall have occurred and be continuing;

(b) The fact that the representations and warranties of the Borrower contained in Article 4, infra and in each of the other Financing Documents, are
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true and correct in all material respects on and as of the date of each Advance or Loan except as altered hereafter by actions consented to or not prohibited hereunder. The Borrower's delivery of the Notes to the Lenders and of each Request to the Agent shall be deemed to be a representation and warranty by the Borrower as of the date of such Advance or Loan as to the facts specified in

Sections 3.1.2(a) and (b);
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(c) Receipt by Agent on or prior to the Business Day specified in the definition of Interest Rate Election of a written Request stating the amount requested for the Loan or Advance in question and an Interest Rate Election for such Loan or Advance, all signed by a duly authorized officer of the Borrower on behalf of the Borrower;

(d) That there exists no law or regulation by any governmental authority having jurisdiction over the Agent or any of the Lenders which would make it unlawful in any respect for such Lender to make its Pro Rata Share of the Loan or Advance, including, without limitation, Regulations U, T and X of the Board of Governors of the Federal Reserve System; and

(e) No Material Adverse Effect has occurred.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of the Borrower. The Borrower
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represents and warrants to the Agent and the Lenders that, after giving effect to the Loans and the application of the proceeds thereof (which representations and warranties shall survive the making of the Loans) as follows:

Section 4.1.1. Organization and Existence. The Borrower and any
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Subsidiary is a limited liability company or corporation, duly organized, validly existing and in good standing under the laws of the state (or applicable jurisdiction) of its incorporation or organization and is duly qualified to do business in all jurisdictions in which such qualification is required, all as noted on Exhibit 4.1.1 to the Disclosure Letter, except where failure to so
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qualify could not reasonably be expected to have a Material Adverse Effect, and has all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under the Financing Documents.

Section 4.1.2. Authorization and Absence of Defaults. Except as
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described on Exhibit 4.1.2 to the Disclosure Letter, the execution, delivery to
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the Agent and/or the Lenders and performance by the Borrower and any Subsidiary of the Financing Documents and Related Transaction Documents have been duly authorized by all necessary corporate and governmental

action and do not and will not (i) require any consent or approval of the shareholders or board of directors of the Borrower or any Subsidiary which has not been obtained, (ii) violate any provision of any law, rule, regulation (including, without limitation, Regulations U and X of the board of governors of the federal reserve system), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower and/or any Subsidiary and/or the articles of organization or by-laws, as applicable, of the Borrower and/or any Subsidiary, (iii) result in a material breach of or constitute a material default under any material indenture or loan or credit agreement or any other agreement, lease or instrument to which the

Borrower and/or any Subsidiary is or are a party or parties or by which it or they or its or their properties may be bound or affected; or (iv) result in, or require, the creation or imposition of any Lien on any of the Borrower's and/or any Subsidiary's respective properties or revenues other than Liens granted to the Agent by any of the Financing Documents securing the Obligations. The Borrower and any Subsidiary are in compliance with any such applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, other agreement, lease or instrument, except where the failure to be in compliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.1.3. Acquisition of Consents. Except as noted on Exhibit 4.1.3 to the Disclosure Letter, no authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those which have been obtained, is or will be necessary to the valid execution and delivery to the Agent and/or the Lenders or performance by the Borrower or any Subsidiary of any Financing Documents and each of the foregoing which has been obtained is in full force and effect.

Section 4.1.4. Validity and Enforceability. Each of the Financing Documents when delivered hereunder will constitute the legal, valid and binding obligations of each of the Borrower and any Subsidiary which is or are a party thereto enforceable against the Borrower, and any Subsidiary which is or are a party thereto in accordance with their respective terms except as the enforceability thereof may be limited by the effect of general principles of equity and bankruptcy and similar laws affecting the rights and remedies of creditors generally.

Section 4.1.5. Financial Information. The following information with respect to the Borrower has heretofore been furnished to the Agent:

Section 4.1.5.1. Audited annual financial statements of the Borrower for the periods ended December 31, 1997 and December 31, 1998; and

Section 4.1.5.2. Interim, consolidated balance sheets of the Borrower and any Subsidiaries as of the end of the most recent fiscal quarter prior to the Closing for which such statements are available and the related statements of income and cash flows and shareholders' equity, such balance sheets and statements to be prepared and certified by an Authorized Representative in an Officer's Certificate as having been prepared in accordance with GAAP except for footnotes and year-end adjustments, and to be in form reasonably satisfactory to the Agent;

Section 4.1.5.3. The Projections.

Section 4.1.5.4. The pro forma financial statements of the Borrower as of the Closing Date provided pursuant to Section 3.1.1.12.

Each of the financial statements referred to above in Section 4.1.5.1 and 4.1.5.2 was prepared in accordance with GAAP (subject, in the case of interim statements, to the absence of footnotes and normal year-end adjustments) applied on a consistent basis, except as stated therein. To the best of the Borrower's knowledge, each of the financial statements referred to above in Sections 4.1.5.1, 4.1.5.2 and 4.1.5.4 fairly presents the financial condition or pro forma financial condition, as the case may be, of the Person being reported on at such dates and is complete and correct in all material respects and no Material Adverse Effect has occurred since the date thereof. The Projections were prepared by the Borrower in good faith, it being recognized that projections as to future results are not assertions of fact and that actual

results for the periods cited therein may differ from the results projected therein.

Section 4.1.6. No Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower and/or any Subsidiary or any of their properties before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which if determined adversely to the Borrower and/or any Subsidiary would draw into question the legal existence of the Borrower and/or any such Subsidiary and/or the validity, authorization and/or enforceability of any of the Financing Documents and/or any provision thereof and/or could not reasonably be expected to have a Material Adverse Effect except those matters, if any, described on Exhibit 4.1.6 to the Disclosure Letter none of which, in Borrower's good faith opinion, will (i) have such Material Adverse Effect or (ii) draw into question (a) the legal existence of the Borrower and/or any such Subsidiary or (b) the validity, authorization and/or enforceability of any of the Financing Documents and/or any provision thereof.

Section 4.1.7. Regulation U. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR Part 221), does not own and has no present intention of acquiring any such margin stock or a "margin security" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR, Part 207). None of the proceeds of the Loans will be used directly or indirectly by the Borrower for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry, any such margin security or margin stock or for any other purpose which might constitute the transaction contemplated hereby a "purpose credit" within the meaning of said Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities and Exchange Act of 1934, as amended, or any rules or regulations promulgated under either said statute.

Section 4.1.8. Absence of Adverse Agreements. Neither the Borrower nor any Subsidiary is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any corporate or partnership restriction which could reasonably be expected to have a Material Adverse Effect.

Section 4.1.9. Taxes. The Borrower and each Subsidiary has filed all tax returns (federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, except for those taxes, if any, which are being contested in good faith and by appropriate proceedings, and for which proper reserve or other provision has been made in accordance with GAAP and except where any failure to file or pay could not reasonably be expected to have a Material Adverse Effect on the Borrower or any Subsidiary and except as described in Exhibit 4.1.9 to the Disclosure Letter.

Section 4.1.10. ERISA. Borrower and any Commonly Controlled Entity do not maintain or contribute to any Plan which is not in substantial compliance with ERISA, or any Single Employer Plan which has incurred any accumulated funding deficiency within the meaning of sections 412 and 418 of the Code or which has applied for or obtained a waiver from the Internal Revenue Service of any minimum funding requirement under section 412 of the Code. Borrower and any Commonly Controlled Entity have not incurred any liability to the PBGC in connection with any Plan covering any employees of Borrower or any Commonly Controlled Entity in amount exceeding Fifty Thousand Dollars ($50,000) in the aggregate or ceased operations at any facility or withdrawn from any Plan in a manner which could subject any of them to liability under sections 4062(e), 4063 or 4064 of ERISA in amount exceeding Fifty Thousand Dollars ($50,000) in the aggregate, and know of no facts or circumstance which might give rise to any liability of Borrower or any Commonly Controlled Entity to the PBGC under Title IV of ERISA in amount exceeding Fifty

Thousand Dollars ($50,000) in the aggregate. Borrower and any Commonly Controlled Entity have not incurred any withdrawal liability in amount exceeding Fifty Thousand Dollars ($50,000) in the aggregate (including but not limited to any contingent or secondary withdrawal liability) within the meaning of sections 4201 and 4202 of ERISA, to any Multiemployer Plan, and no event has occurred, and there exists no condition or set of circumstances known to the Borrower, which presents a risk of the occurrence of any withdrawal from or the partition, termination, reorganization or insolvency of any Multiemployer Plan which could result in any liability to a Multiemployer Plan in amount exceeding Fifty Thousand Dollars ($50,000) in the aggregate.

Except for payments for which the minimum funding requirement has been waived under section 412 of the Code, full payment has been made of all amounts which Borrower and any Commonly Controlled Entity are required to have paid as contributions to any Plan under applicable law or under any plan or any agreement relating to any Plan to which Borrower or any Commonly Controlled Entity is a party. Borrower and each Commonly Controlled Entity have made adequate provision for reserves to meet contributions that have not been made because they are not yet due under the terms of any Plan or related agreements.

Neither Borrower nor any Commonly Controlled Entity has any knowledge, nor do any of them have any reason to believe, that any Reportable Event which could result in a liability or liabilities of Fifty Thousand Dollars ($50,000) or more in the aggregate has occurred with respect to any Plan.

Section 4.1.11. Ownership of Properties.

Section 4.1.11.1. Except for Permitted Encumbrances, Borrower and any Subsidiary has good title to all of its properties and assets free and clear of all restrictions and

Liens of any kind other than those which could not reasonably be expected to have a Material Adverse Effect or a material adverse effect on the validity, authorization and/or enforceability of the Financing Documents and/or any provision thereof.

Section 4.1.11.2. Exhibit 4.1.11 to the Disclosure Letter accurately and completely lists the location of all real property owned or leased by Borrower or any Subsidiary as of the date hereof. Borrower and each Subsidiary enjoys quiet possession under all material leases of real property to which it is a party as a lessee, and all of such leases are valid, subsisting and, to Borrower's knowledge, in full force and effect.

Section 4.1.11.3. To Borrower's knowledge, except as specified in Exhibit 4.1.11, none of the real property occupied by Borrower or any Subsidiary is located within any federal, state or municipal flood plain zone.

Section 4.1.11.4. Except as set forth in Exhibit 4.1.11 to the Disclosure Letter, all of the material properties used in the conduct of the Borrower's and each Subsidiary's business (i) are in good repair, working order and condition (reasonable wear and tear and obsolescence excepted) and reasonably suitable for use in the operation of Borrower's, and each Subsidiary's business; and (ii) to Borrower's knowledge are currently operated and maintained, in all material respects, in accordance with the requirements of applicable governmental authorities.

Section 4.1.12. Accuracy of Representations and Warranties. None of Borrower's representations or warranties set forth in this Agreement, the Disclosure Letter or in any document or certificate furnished pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary to make any statement of fact contained herein or therein, in light of the circumstances under which it was made, not misleading; except that unless provided otherwise any such document or certificate which is dated speaks as of the date stated and not the present.

Section 4.1.13. No Investment Company. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended, which is required to register thereunder.

Section 4.1.14. Solvency, etc. After giving effect to the consummation of each Loan outstanding and to be made under this Agreement as of the time this representation and warranty is given, the Borrower (a) will be able to pay its debts as they become due and (b) will have funds and capital sufficient to carry on its business and all businesses in which it is about to engage. The Borrower will not be rendered insolvent by the execution and delivery of this Agreement and the consummation of any transactions contemplated herein.

Section 4.1.15. Approvals. Except as set forth in Exhibit 4.1.3 to the Disclosure Letter, all approvals required from all Persons including without limitation all governmental authorities with respect to the Financing Documents have been obtained.

Section 4.1.16. Ownership Interests. The schedule of ownership interests in the Borrower and any Subsidiaries set forth in Exhibit 1.1 to the Disclosure Letter is true, accurate and complete as of the date hereof and the Investments to be made for all ownership interests disclosed therein have in fact been fully paid in immediately available Dollars after giving effect to the closing of the Related Transactions.

Section 4.1.17. Licenses, Registrations, Compliance with Laws, etc. Exhibit 4.1.17 to the Disclosure Letter accurately and completely describes all permits, governmental licenses, registrations and approvals, material to carrying out of Borrower's and each of the Subsidiaries' businesses as presently conducted and as required by law or the rules and regulations of any Governmental Authority or foreign governmental agency, body, instrumentality or commission having jurisdiction over the Borrower or any of the Subsidiaries. All such existing authorizations, licenses and permits are in full force and effect, are duly issued in the name of, or validly assigned to the Borrower or a Subsidiary and the Borrower or a Subsidiary has full power and authority to operate thereunder. There is no material violation or material failure of compliance or, to Borrower's knowledge, allegation of such violation or failure of compliance on the part of the Borrower or any Subsidiary with any of the foregoing permits, licenses, registrations, approvals, rules or regulations and there is no action, proceeding or investigation pending or to the knowledge of the Borrower threatened nor has the Borrower or any Subsidiary received any notice of such which might result in the termination or suspension of any such permit, license, registration or approval which in any case could be reasonably expected to have a Material Adverse Effect.

Section 4.1.18. Principal Place of Business; Books and Records. The Borrower's chief executive offices are located at Borrower's addresses set forth in Section 9.6 or at such other address with respect to which Borrower has given the Agent written notice at least 20 days prior to the location of Borrower's records of accounts receivable or chief executive office at any such other address. All of the Borrower's books and records are kept at one or more of its addresses set forth in Section 9.6.

Section 4.1.19. Subsidiaries. As of the date hereof, the Borrower has no Subsidiaries.

Section 4.1.20. Copyright. Except as set forth in Exhibit 4.1.23 to the Disclosure Letter the Borrower has not violated in any material respect any

of the provisions of the Copyright Revision Act of 1976, 17 U.S.C. 101, et seq.
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The Borrower has filed all material registration statements, notices and statements of account and all necessary supplements and adjustment schedules thereto with the United States Copyright Office and has made all payments to the United States Copyright Office that are required. To Borrower's knowledge, no claim of infringement of a copyright by the Borrower or any Subsidiary has been made or threatened by any other Person . The Borrower has not allocated revenues in any manner inconsistent with the rules and regulations of the Copyright Office.

Section 4.1.21. Environmental Compliance. Neither the Borrower nor, to the knowledge of the Borrower, any other Person:

Section 4.1.21.1. has ever caused, permitted, or suffered to exist any Hazardous Material to be spilled, placed, held, located or disposed of on, under, or about, any of the facilities owned, leased or used by the Borrower (the "Premises"), or from the Premises into the atmosphere, any body of water, any wetlands, or on any other real property, nor to Borrower's knowledge does any Hazardous Material exist on, under or about the Premises other than as disclosed on Exhibit 4.1.21 to the Disclosure Letter, or in respect of Hazardous Material used or disposed of in compliance with law;

Section 4.1.21.2. has any knowledge that any of the Premises has ever been used (whether by the Borrower or, to the knowledge of the Borrower, by any other Person) as a treatment, storage or disposal (whether permanent or temporary) site for any Hazardous Material as defined in 42 U.S.C.A. 6901, et seq. (the Resource Recovery and Conservation Act); and

Section 4.1.21.3. has any knowledge of any notice of violation, Lien or other notice issued by any Governmental Authority with respect to the environmental condition of the Premises or any other property occupied by the Borrower, or any other property which was included in the property description of the Premises or such other real property within the preceding three years except as disclosed to the Agent.

Section 4.1.22. Material Agreements, etc. Exhibit 4.1.22 to the Disclosure Letter attached hereto accurately and completely lists all material agreements to which the Borrower or any of the Subsidiaries are a party and that would be required to be listed in a registration statement on Form S-1 All of such material agreements to which Borrower or any Subsidiary is a party, are legally valid, binding, and, to Borrower's knowledge, in full force and effect and neither the Borrower, any of the Subsidiaries nor, to Borrower's knowledge, any other parties thereto are in material default thereunder.

Section 4.1.23. Patents, Trademarks and Other Property Rights. Exhibit 4.1.23 to the Disclosure Letter contains a complete and accurate schedule of all registered trademarks, registered copyrights and patents of the Borrower and/or any of the Subsidiaries, and pending applications therefor, and all other intellectual property in which the Borrower and/or any of the Subsidiaries has any rights other than "off-the shelf" software which is generally available to the general public at retail. Except as set forth in Exhibit 4.1.23 to the Disclosure Letter, the Borrower and any Subsidiaries own, possess, or have licenses to use all the patents, trademarks, service marks, trade names, copyrights and non-governmental licenses, and all rights with respect to the foregoing, necessary for the conduct of their respective businesses as now conducted, without, to the Borrower's knowledge, any conflict with the rights of others with respect thereto.

Section 4.1.24. Equity Documents. The Borrower has, prior to the

date hereof, delivered to the Lenders true copies of the Equity Documents, and each and every amendment or modification thereto and, except for receipt and application of certain proceeds of the Loans, the Related Transactions have been completed in accordance with the Equity Documents, without any waiver or amendment of any term or condition contained therein without the prior written approval of the Lenders, and in compliance with any applicable laws and necessary governmental authority approvals.

Section 4.1.25. Material Adverse Effect. No Material Adverse Effect has occurred and there exists no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental or regulatory agency or authority that could reasonably be expected to result in a Material Adverse Effect.

Section 4.1.26. Year 2000. On the basis of review and assessment undertaken by the Borrower of the Borrowers' and its Subsidiaries' computer applications the Borrower reasonably believes that the "Year 2000 Problem" (that is, the risk that computer applications used by any person may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999) will not result in a Material Adverse Effect.

Section 4.1.27. Security Interests. All of the Borrower's assets are and will remain encumbered by first priority Liens granted to the Agent subject only to Permitted Encumbrances.

ARTICLE 5.

COVENANTS OF THE BORROWER

Section 5.1. Affirmative Covenants of the Borrower Other than Reporting Requirements. From the date hereof and thereafter for so long as there is Indebtedness of the Borrower to any Lender and/or the Agent under any of the Financing Documents or any part of the Commitment is in effect, the Borrower will, with respect to itself and, unless noted otherwise below, with respect to each of its Subsidiaries, ensure that each Subsidiary will, unless the Majority Lenders shall otherwise consent in writing:

Section 5.1.1. Payment of Taxes, etc. Pay and discharge all taxes and assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims for the same which, if unpaid, might become a Lien upon any of its properties, provided that (unless and until foreclosure, restraint, sale or any similar proceeding is pending and is not stayed, discharged or bonded within 30 days after commencement) the Borrower shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and for which proper reserve or other provision has been made in accordance with GAAP, unless failure to pay could not reasonably be expected to result in a Material Adverse Effect.

Section 5.1.2. Maintenance of Insurance. Maintain on the collateral under any of the Security Documents insurance against loss by fire, hazards included within the term "extended coverage", and such other hazards, casualties and contingencies as the Agent may from time to time require, in an amount equal to the greater of (i) $6,000,000 or (ii) one hundred percent (100%) of the replacement cost of the collateral under any of the Security Documents and business interruption insurance in the amount of at least $600,000. All policies of such insurance and all renewals thereof shall be in form and substance acceptable to Agent, shall be

made payable in case of loss to the Agent as loss payee and mortgagee and shall contain an endorsement endeavoring to provide thirty (30) days prior written notice to the Agent prior to cancellation or change in the coverage, scope or amount of any such policies. Borrower shall also keep in full force and effect a policy of general liability insurance against claims of bodily injury, death or property damage occurring in any building in which the limits of liability shall not be less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate per year, together with an excess liability policy in the amount of Five Million Dollars ($5,000,000) which shall be in addition to the limits above set forth. Borrower shall increase the limits of such liability insurance to such higher amounts as the Agent may from time to time reasonably require. Certificates of all such insurance shall be delivered to the Agent concurrently with the execution and delivery of this Agreement, and thereafter all renewal or replacement certificates shall be delivered to the Agent not less than thirty (30) days after the expiration date of the policy to be renewed or replaced, accompanied by evidence satisfactory to the Agent that all premiums payable with respect to such policies have been paid by Borrower. Borrower shall have the right of free choice in the selection of the agent or the insurer through or by which the insurance required hereunder is to be placed; provided, however, said insurer has at all times a general policyholders' rating of A or A+ in Best's latest rating guide. Furthermore, the Agent shall have the right and is hereby constituted and appointed the true and lawful attorney irrevocable of Borrower, in the name and stead of Borrower, but in the uncontrolled discretion of said attorney, and in any case, only during the occurrence and continuance of a Default or an Event of Default, (i) to adjust, sue for, compromise and collect any amounts due under such insurance policies in the event of loss and (ii) to give releases for any and all amounts received in settlement of losses under such policies; and the same shall, subject to Section 2.6.1.3 of this Agreement, at the option of the Agent, be
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applied, after first deducting the costs of collection, on account of any Indebtedness the payment of which is secured by any of the Financing Documents, whether or not then due, or, notwithstanding the claims of any subsequent lienor, be used or paid over to Borrower in accordance with reasonable procedures established by the Agent for use in repairing or replacing any damaged or destroyed collateral under any of the Security Documents.

Section 5.1.3. Preservation of Existence, etc. Preserve and maintain
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in full force and effect its legal existence, and all material rights, franchises and privileges in the jurisdiction of its organization except as permitted by Section 5.2.3, preserve and maintain (except for sales licenses or
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other scopes of use granted in the ordinary course of Borrower's business consistent with past practice) all material licenses, governmental approvals, trademarks, patents, trade secrets, copyrights and trade names owned or possessed by it and which are necessary or, in the reasonable business judgment of the Borrower, desirable in view of its business and operations or the ownership of its properties and qualify or remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or, in its reasonable business judgment, desirable in view of its business and operations and ownership of its properties except where the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

Section 5.1.4. Compliance with Laws, etc. Comply with the
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requirements of all present and future applicable laws, rules, regulations and orders of any governmental authority having jurisdiction over it and/or its business including, without limitation, regulations of the United States Copyright Office and the Copyright Royalty Tribunal, except where the failure to comply could not be reasonably expected to have a Material Adverse Effect.

Section 5.1.5. Visitation Rights. Permit, during normal business
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hours and upon the giving of reasonable notice, the Agent, the Lenders and any agents or representatives thereof, to examine and make copies of (at Borrower's cost and expense) and abstracts from the records and books of account of, and visit the properties of the Borrower and any Subsidiary to discuss the affairs, finances and accounts of the Borrower or any Subsidiary with any of their partners, officers or management level employees and/or any independent certified public accountant of the Borrower and/or any Subsidiary.

Section 5.1.6. Keeping of Records and Books of Account. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP and with applicable requirements of any governmental authority having jurisdiction over the Borrower and/or any Subsidiary in question, reflecting all financial transactions in accordance with GAAP.

Section 5.1.7. Maintenance of Properties, etc. Maintain and preserve all of its properties necessary or useful in the proper conduct of its business, in good working order and condition, ordinary wear and tear and obsolescence excepted, and in accordance with each of the Security Documents.

Section 5.1.8. Post-Closing Items. Complete in a timely fashion all actions required in the Post-Closing Letter.

Section 5.1.9. Other Documents, etc. Except as otherwise required by this Agreement, pay, perform and fulfill all of its material obligations and covenants under each material document, instrument or agreement to which it is a party; provided that so long as the Borrower or any Subsidiary is contesting any claimed default by it or them under any of the foregoing by proper proceedings conducted in good faith and for which any proper reserve or other provision in accordance with and to the extent required by GAAP has been made, such default shall not be deemed a violation of this covenant.

Section 5.1.10. Minimum EBITDA. Have positive EBITDA at each Borrower fiscal quarter ending set forth below of at least the amount set forth below opposite the Borrower fiscal quarter in question, for each period consisting of Borrower's most recent fiscal quarter and immediately preceding three fiscal quarters:

<TABLE>
<CAPTION>

Ending of Borrower Fiscal Quarter	Minimum EBITDA
<S>	<C>
3/rd/ and 4/th/ fiscal quarters, 1999	$19,000,000
1/st/ through 4/th/ fiscal quarters, 2000	$20,000,000
1/st/ through 4/th/ fiscal quarters, 2001	$22,000,000
1/st/ through 4/th/ fiscal quarters, 2002	$25,000,000
1/st/ through 4/th/ fiscal quarters, 2003	$29,000,000
1/st/ fiscal quarter, 2004 and thereafter	$33,000,000

</TABLE>

Section 5.1.11. Minimum Fixed Charge Coverage Ratio. Maintain a Fixed Charge Coverage Ratio of not less than 1.15:1.00 for Borrower fiscal quarters ending on or prior to December 31, 2001 and 1.20:1.00 at each Borrower fiscal quarter end thereafter, such ratio to be measured at each Borrower fiscal quarter end for the rolling four Borrower fiscal quarter period consisting of the Borrower fiscal quarter then ending and the three immediately preceding Borrower fiscal quarters.

Section 5.1.12. Maximum Leverage Ratio. Maintain at the end of each fiscal quarter of the Borrower in each period set forth below a Leverage Ratio of not greater than the ratio set forth below opposite such period:

<TABLE>
<CAPTION>

Endings of Borrower Fiscal Quarters	Ratio
<S>	<C>
3/rd/ fiscal quarter, 1999 through 4/th/ fiscal quarter, 2000	3:00:1.00
1/st/ through 4/th/ fiscal quarters, 2001	2.50:1.00
1/st/ through 4/th/ fiscal quarters, 2002	2:00:1.00
1/st/ fiscal quarter, 2003 and thereafter	1.50:1.00

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Section 5.1.13. Officer's Certificates and Requests. Provide each Officer's Certificate required under this Agreement and each Request so that the Officer's statements contained therein are accurate and complete in all material respects. Certificates and Requests.

Section 5.1.14. Depository. Use the Agent as a depository of Borrower's funds.

Section 5.1.15. Chief Executive Officer. Maintain Daniel A. Firestone as chief executive officer of the Borrower and as the Person with principal executive, operating and management responsibility for the Borrower's business or obtain a replacement of comparable experience and training in the Borrower's industry within 180 days of his ceasing to act in such capacity.

Section 5.1.16. Notice of Purchase of Real Estate and Leases. Promptly notify the Agent in the event that the Borrower shall purchase any real estate or enter into any lease of real estate or of equipment material to the operation of the Borrower's business, supply the Agent with a copy of the related purchase agreement or of such lease, as the case may be, and if requested by the Agent, execute and deliver, or cause to be executed and delivered, to the Agent for the benefit of the Lenders a deed of trust, mortgage, assignment or other document, together with landlord consents, in the case of leased property, reasonably satisfactory in form and substance to the Agent, granting a valid first Lien (subject to any Liens permitted under Section 5.2.1 hereof) on such real property or leasehold as security for the Financing Documents, all subject to the limitations of Section 5.2.17.

Section 5.1.17. Additional Assurances. From time to time hereafter, execute and deliver or cause to be executed and delivered, such additional instruments, certificates and documents, and take all such actions, as the Agent shall reasonably request for the purpose of implementing or effectuating the provisions of the Financing Documents, and upon the exercise

by the Agent of any power, right, privilege or remedy pursuant to the Financing Documents which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, exercise and deliver all applications, certifications, instruments and other documents and papers that the Agent may be so required to obtain. In addition, upon receipt of an affidavit of an officer of any Lender as to the loss, theft, destruction or mutilation of any of such Lender's Notes or any Security Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of any such Note or Security Document, Borrower will issue, in lieu thereof, a replacement Note or Security Document in the same principal amount thereof and otherwise of like tenor.

Section 5.1.18. Appraisals. Permit the Agent and its agents, at any time and in the sole discretion of the Agent or at the request of the Majority Lenders, to conduct one appraisal of the Borrower's business, the reasonable cost of which (not to exceed $5,000) shall be borne by the Borrower so long as no Default or Event of Default exists and while a Default or Event of Default exists to conduct appraisals of such business without limit, the cost of which shall be borne by the Borrower.

Section 5.1.19. Environmental Compliance. Comply strictly and in all material respects with the requirements of all federal, state, and local environmental laws; notify the Lenders promptly in the event of any spill of Hazardous Material materially affecting the Premises occupied by the Borrower from time to time; forward to the Lenders promptly any written notices relating to such matters received from any governmental agency; and pay promptly when due any uncontested fine or assessment against the Premises.

Section 5.1.20. Remediation. Immediately contain and remove any Hazardous Material found on the Premises in compliance with applicable laws and at the Borrower's expense.

Section 5.1.21. Site Assessments. Promptly upon the request of the Agent, based upon the Agent's reasonable belief that a material Hazardous Waste or other environmental problem exists with respect to any Premises, provide the Agent with a Phase I environmental site assessment report and, if Agent finds a reasonable basis for further assessment in such Phase I assessment, a Phase II environmental site assessment report, or an update of any existing report, all in scope, form and content and performed by such company as may be reasonably satisfactory to the Agent.

Section 5.1.22. Indemnity. Indemnify, defend, and hold the Agent and the Lenders harmless from and against any claim, cost, damage (including without limitation consequential damages), expense (including without limitation reasonable attorneys' fees and expenses), loss, liability, or judgment now or hereafter arising as a result of any claim for environmental cleanup costs, any resulting damage to the environment and any other environmental claims against the Borrower, any Subsidiary, the Lenders and/or the Agent arising out of the transactions contemplated by this Agreement, or any of the Premises. The provisions of this Section shall continue in effect and shall survive (among other events), until the applicable statute of limitations has expired, any termination of this Agreement, foreclosure, a deed in lieu transaction, payment and satisfaction of the Obligations of Borrower, and release of any collateral for the Loans.

Section 5.1.23. Trademarks, Copyrights, etc. Concurrently with the acquisition of any federally registered trademark, copyright patent or application therefor grant a first priority perfected Lien thereon to the Agent pursuant to documents in form and substance reasonably satisfactory to the Agent.

Section 5.1.24. Key-Man Insurance__Borrower shall maintain in force, until canceled or modified with the written consent of the Majority Lenders, an insurance policy on the life of Daniel A. Firestone in the amount of $5,000,000 naming the Borrower as owner and beneficiary and collaterally assigned to the Agent. Up to $2,000,000 of the proceeds of such policy shall be used to pay the costs of replacement of the deceased insured and to the extent not so used within one (1) year of his death, such portion of the proceeds shall be paid to the Agent for the accounts of the Lenders in accordance with their Pro Rata Shares to be applied to payment of the principal of the Term Loans in accordance with Section 2.6.1.7. The balance of the proceeds of such life insurance shall be paid to the Agent and so applied to the Term Loans.

Section 5.2. Negative Covenants of the Borrower. From the date hereof and thereafter for so long as there is Indebtedness of the Borrower to any Lender and/or the Agent under any of the Financing Documents or any part of the Commitment is in effect, the Borrower will not, with respect to itself and, unless noted otherwise below, with respect to each of the Subsidiaries, will ensure that each such Subsidiary will not, without the prior written consent of the Majority Lenders:

Section 5.2.1. Liens, etc. Create, incur, assume or suffer to exist any Lien of any nature, upon or with respect to any of its properties, now owned or hereafter acquired, or assign as collateral or otherwise convey as collateral, any right to receive income, except that the foregoing restrictions shall not apply to any Liens:

Section 5.2.1.1. For taxes, assessments or governmental charges or levies on property if the same shall not at the time be delinquent or thereafter can be paid without penalty or interest, or (if foreclosure, distraint, sale or

other similar proceedings shall not have been commenced or if commenced not stayed, bonded or discharged within 30 days after commencement) are being contested in good faith and by appropriate proceedings diligently conducted and for which proper reserve or other provision has been made in accordance with and to the extent required by GAAP;

Section 5.2.1.2. Imposed by law, such as landlords', carriers', warehousemen's and mechanics' liens, bankers' set off rights and other similar Liens arising in the ordinary course of business for sums not yet due or being contested in good faith and by appropriate proceedings diligently conducted and for which proper reserve or other provision has been made in accordance with and to the extent required by GAAP;

Section 5.2.1.3. Arising in the ordinary course of business out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

Section 5.2.1.4. Arising from or upon any judgment or award, provided that such judgment or award is being contested in good faith by proper appeal proceedings and only so long as execution thereon shall be stayed;

Section 5.2.1.5. Those set forth on Exhibit 1.8 to the Disclosure Letter, and renewals, extensions and refundings thereof (so long as the Lien is not extended to other property);

Section 5.2.1.6. Those now or hereafter granted pursuant to the Security Documents or otherwise now or hereafter granted to the Agent for the benefit of the Lenders as collateral for the Loans and/or Borrower's other Obligations arising in connection with or under any of the Financing Documents;

Section 5.2.1.7. Deposits to secure the performance of bids, trade contracts (other than for Borrowed Money), leases, statutory obligations, surety bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of the Borrower's or any Subsidiary's business;

Section 5.2.1.8. Easements, rights of way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of business by any Borrower or any Subsidiary;

Section 5.2.1.9. Liens securing Indebtedness permitted to exist under Section 5.2.8.3; provided that the Lien securing any such Indebtedness is limited to the item of property purchased or leased in each case;

Section 5.2.1.10. UCC-1 financing statements filed solely for notice or precautionary purposes by lessors under operating leases which do not secure Indebtedness and which are limited to the items of equipment leased pursuant to the lease in question; and

Section 5.2.1.11. Liens existing on property at the time it is acquired by the Borrower or any Subsidiary in a permitted Acquisition so long as the Indebtedness secured thereby or such Lien was not created in anticipation of such Permitted Acquisition and so long as such Lien does not attach to or encumber any other property of the Borrower or any Subsidiary.

Section 5.2.2. Assumptions, Guaranties, etc. of Indebtedness of Other Persons. Assume, guarantee, endorse or otherwise become directly or

contingently liable in connection with any obligation or Indebtedness of any other Person, except:

Section 5.2.2.1. Guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

Section 5.2.2.2. Assumptions, guaranties, endorsements and contingent liabilities within the definition of Indebtedness and permitted by Section 5.2.8; and

Section 5.2.2.3. Those set forth on Exhibit 5.2.2.

Section 5.2.3. Acquisitions, Dissolution, etc. Acquire, in one or a series of transactions, all or any substantial portion of the assets or ownership interests in another Person, or dissolve, liquidate, wind up, merge or consolidate or combine with another Person or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) any material assets (other than as part of the ordinary course conduct of its business), whether now owned or hereafter acquired, or any of the Borrower's or any Subsidiary's interests in real property other than assets which are replaced within 60 days of any asset sale, assignment, lease or disposition with assets of like kind, usefulness and value; provided, however, that so long as no Default or Event of Default exists or would exist immediately after any such acquisition, Borrower and any Subsidiary shall be permitted to acquire all or any portion of the assets of or ownership interests in another Person (by merger, consolidation or otherwise so long as the Borrower or such Subsidiary, as the case may be, survives; provided that the acquired Person may be the survivor if such Person will be a Subsidiary) having aggregate (for all such acquisitions since the Closing Date) consideration not to exceed $1,000,000 including, without limitation, Indebtedness assumed and, without duplication, the value of any Lien described in Section 5.2.1.11. At the time of any such acquisition the Borrower or the acquiring Subsidiary, as the case may be, shall provide or grant or cause to be provided or granted to the Agent a first priority perfected Lien (subject to Permitted Encumbrances) on the assets or ownership interests acquired and the ownership interests in any Subsidiary making such acquisition, including without limitation the assets owned by any Subsidiary, to the extent that the Agent does not already have such a Lien except that if such Subsidiary is not organized in the United States, the Agent shall be granted such a Lien only on 65% of the issued and outstanding ownership interests in such Subsidiary and shall not be entitled to any Lien on such Subsidiary's assets. Prior to the consummation of any such permitted transaction, Borrower shall submit to the Agent a pro-forma Compliance Certificate on a consolidated basis (including the to-be-acquired assets and any assumed liabilities or if ownership interests are acquired, the to-be-acquired Person if such Person is to be a Subsidiary and if not, the to-be-acquired ownership interests, all measured as set forth below in this Section 5.2.3), which such pro-forma Compliance Certificate shall indicate that no Default or Event of Default exists or would exist following consummation of the permitted transaction and that the Borrower would be in compliance with (on a consolidated basis including the to-be-acquired assets and any assumed liabilities or if ownership interests are acquired, the to-be-acquired Person if such Person is to be a Subsidiary and if not, the to-be-acquired ownership interests), Sections 5.1.10, 5.1.11 and 5.1.12 following consummation of the permitted transaction, including the to-be-acquired assets, Person or ownership interests and the operating results thereof on the same basis and for the same periods as the Borrower is measured for each such covenant, respectively (each a "Permitted Acquisition"). Notwithstanding the foregoing prior to any public offering of any of Borrower's capital stock, including without limitation a Qualified Initial Public Offering, the Borrower may merge into another Person or transfer all or substantially all of Borrower's assets to another Person solely to change the Borrower into a corporation and/or to change the Borrower's state of

organization; provided that the Borrower may only undertake any such transaction if the Agent obtains first priority perfected Liens (subject only to Permitted Encumbrances) on all of the Borrower's assets and such assumptions of liability and other agreements as the Agent may request, all in form and substance satisfactory to the Majority Lenders.

Section 5.2.4. Change in Nature of Business. Make any material change in the nature of its business.

Section 5.2.5. Ownership. Cause or permit the occurrence of any Change of Control.

Section 5.2.6. Sale and Leaseback; Synthetic Leases. Enter into any sale and leaseback arrangement with any lender or investor enter into any lease treated as an operating lease under GAAP and as a loan or financing for United States income tax purposes, or enter into any leases except in the normal course of business at reasonable rents comparable to those paid for similar leasehold interests in the area.

Section 5.2.7. Sale of Accounts, etc. Sell, assign, discount or dispose in any way of any accounts receivable, promissory notes or trade acceptances held by the Borrower or any Subsidiary, with or without recourse, except in the ordinary course of the Borrower's or any Subsidiary's business.

Section 5.2.8. Indebtedness. Incur, create, become or be liable directly or indirectly in any manner with respect to or permit to exist any Indebtedness except:

Section 5.2.8.1. Indebtedness under the Financing Documents;

Section 5.2.8.2. Indebtedness with respect to trade payable obligations and other normal accruals and customer deposits in the ordinary course of business not yet due and payable in accordance with customary trade terms or with respect to which the Borrower or any Subsidiary is contesting in good faith the amount or validity thereof by appropriate proceedings and then only to the extent such person has set aside on its books adequate reserves therefor in accordance with and to the extent required by GAAP;

Section 5.2.8.3. Indebtedness with respect to Capitalized Lease Obligations and purchase money Indebtedness with respect to real or personal property in an aggregate amount outstanding at any time not to exceed $2,000,000; provided that the amount of any purchase money Indebtedness does not exceed 100% of the lesser of the cost or fair market value of the asset purchased with the proceeds of such Indebtedness;

Section 5.2.8.4. Unsecured Indebtedness in an aggregate amount outstanding at any time not to exceed $1,000,000;

Section 5.2.8.5. Indebtedness listed on Exhibit 3.1.1.8 to the Disclosure Letter;

Section 5.2.8.6. Indebtedness owing by the Borrower to any Subsidiary or by any Subsidiary to the Borrower or any other Subsidiary; provided, however, that any Indebtedness owing by the Borrower or any Subsidiary to an Affiliate shall be subordinated to the Obligations on terms and conditions satisfactory to the Majority Lenders.

Section 5.2.8.7. Indebtedness permitted by Sections 2.10, 5.2.1.11, or 5.2.2.

Section 5.2.8.8. Indebtedness outstanding as a refinancing of Indebtedness permitted under another clause of this Section 5.2.8 other than Sections 5.2.8.2 or 5.2.8.8; provided that such Indebtedness as refinanced continues to qualify as permitted Indebtedness under the clause of this Section 5.2.8 under which the refinanced Indebtedness was permitted under this Section 5.2.8.

Section 5.2.9. Other Agreements. Amend any of the terms or conditions of any of the Related Transaction Documents, its certificate of incorporation, bylaws (or comparable applicable charter or governance document), any subordination agreement or any material indenture, agreement, document, note or other instrument evidencing, securing or relating to any other Indebtedness permitted under Section 5.2.8, in each case in a manner materially adverse to the Agent or any of the Lenders.

Section 5.2.10. Payment or Prepayment of Equity or Subordinated Debt. Make any payment or prepayment of any principal of or interest on or any payment, prepayment, redemption, defeasance, sinking fund payment, other repayment of principal or capital or deposit for the purpose of any of the foregoing on or in connection with any subordinated debt, the Equity or any other equity or ownership interests in the Borrower, except as described in the definition of Related Transactions.

Section 5.2.11. Dividends, Payments and Distributions. Except as described in the definition of Related Transactions, declare or pay any dividends, management fees or like fees or make any other distribution of cash or property or both to any of the Members other than reasonable compensation for services rendered to the Borrower and/or any Subsidiary or use any of its assets for payment, purchase, conversion, redemption, retention, acquisition or retirement of any beneficial interest in the Borrower or set aside or reserve assets for sinking or like funds for any of the foregoing purposes, make any other distribution by reduction of capital or otherwise in respect of any beneficial interest in the Borrower or permit any Subsidiary which is not a wholly-owned Subsidiary so to do provided that Borrower may make quarterly distributions to the Members not to exceed the amounts necessary to pay federal and state income taxes payable by the Members on account of the taxable income of the Borrower; provided however, that in the event of a Qualified Initial Public Offering, and subject at all times to the Borrower's compliance with the provisions of Section 2.6.1.5, the Borrower shall be permitted to redeem or convert shares of the Borrower's class B membership interests. Notwithstanding anything to the contrary set forth in this Agreement, the Members may at any time convert their shares of the Borrower's class B membership interests in accordance with the provisions of the Borrower's Members Agreement as in effect from time to time.

Section 5.2.12. Investments in or to Other Persons. Make or commit to make any Investment in or to any other Person (including, without limitation, any Subsidiary) other than (i) advances to employees for business expenses not to exceed $25,000 in the aggregate outstanding for any one employee and not to exceed $100,000 in the aggregate outstanding at any one time to all such employees, (ii) other employee loans not to exceed $500,000 in the aggregate outstanding at any one time to all such employees, (iii) Cash Equivalent Investments, (iv),

Investments in accounts, contract rights and chattel paper (as defined in the Uniform Commercial Code) and notes receivable, arising or acquired in the ordinary course of business, (v) Investments described on Exhibit 5.2.2 to the Disclosure Letter, and (vi) Permitted Acquisitions.

Section 5.2.13. Transactions with Affiliates. Except as contemplated by the Equity Documents, engage in any transaction or enter into any agreement with an Affiliate, or in the case of Affiliates, with the Borrower or another Affiliate, except in the ordinary course of business, as permitted by any other provision of this Agreement and then only on an arm's length basis except as set forth on Exhibit 5.2.13 to the Disclosure Letter.

Section 5.2.14. Change of Fiscal Year. Change its accounting policies, reporting practices or its fiscal year from those in effect on the Closing Date except that Borrower may change its current 52 - 53 week fiscal year to a fiscal year ending December 31.

Section 5.2.15. Subordination of Claims. Subordinate any present or future claim against or obligation of another Person, except as ordered in a bankruptcy or similar creditors' remedy proceeding of such other Person.

Section 5.2.16. Compliance with ERISA. With respect to Borrower and any Commonly Controlled Entity (a) withdraw from or cease to have an obligation to contribute to, any Multiemployer Plan so as to result in any material liability of the Borrower or any Commonly Controlled Entity to PBGC or to any Multiemployer Plan, (b) engage in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Plan which would result in a material liability of the Borrower or any Commonly Controlled Entity for an excise tax or civil penalty in connection therewith, (c) except for any deficiency caused by a waiver of the minimum funding requirement under sections 412 and/or 418 of the Code, as described above, incur or suffer to exist any material "accumulated funding deficiency" (as defined in section 302 of ERISA and section 412 of the Code) of the Borrower or any Commonly Controlled Entity, whether or not waived, involving any Single Employer Plan, (d) incur or suffer to exist any Reportable Event or the appointment of a trustee or institution of proceedings for appointment of a trustee for any Single Employer Plan if, in the case of a Reportable Event, such event continues unremedied for ten (10) days after notice of such Reportable Event pursuant to sections 4043(a), (c) or (d) of ERISA is given, if in the reasonable opinion of the Majority Lenders any of the foregoing is likely to result in a material liability of the Borrower or any Commonly Controlled Entity, (e) permit the assets held under any Plan to be insufficient to protect all accrued benefits, (f) allow or suffer to exist any event or condition, which presents a material risk of incurring a material liability of the Borrower or any Commonly Controlled Entity to PBGC by reason of termination of any such Plan or (g) cause or permit any Plan maintained by Borrower and/or any Commonly Controlled Entity to be out of compliance with ERISA. For purposes of this Section 5.2.16 "material liability" shall be deemed to mean any liability of Fifty Thousand Dollars ($50,000) or more in the aggregate.

Section 5.2.17. Capital Expenditures. Incur Capital Expenditures (i) during any Borrower fiscal year in excess of $2,500,000; provided, that to the extent that the maximum permitted amount of Capital Expenditures for any Borrower fiscal year is greater than the actual Capital Expenditures for such year, and so long as no Default or Event of Default exists or would exist after any excess Capital Expenditures are expended in the immediately succeeding

Borrower fiscal year, such excess may be expended solely during the immediately succeeding Borrower fiscal year in addition to the Capital Expenditures otherwise permitted in such immediately succeeding fiscal year.

Section 5.2.18. Hazardous Material. Become involved, or permit, to the extent reasonably possible after the exercise by the Borrower of reasonable

due diligence and preventive efforts, any tenant of its real property to become involved, in any operations at such real property generating, storing, disposing, or handling Hazardous Material or any other activity that could lead to the imposition on the Borrower or the Agent or any Lender, or any such real property of any material liability or Lien under any environmental laws.

Section 5.2.19. Other Restrictions on Liens or Dividends. Enter into any agreement or otherwise agree to or grant any restriction substantially similar to the provisions of Section 5.2.1 hereof or which would otherwise have the effect of prohibiting, restricting, impeding or interfering with the creation subsequent to the Closing Date of additional Liens to secure the Obligations, except in the case of (a) any Capitalized Lease (so long as such restriction relates solely to the property subject to such Capitalized Lease) and (b) license agreements entered into on customary terms in the ordinary course of business (so long as such restriction relates solely to the property licensed pursuant thereto).

Section 5.2.20. Limitation on Creation of Subsidiaries, etc.. Establish, create or acquire any Subsidiary other than as a result of a Permitted Acquisition or become the general partner in any general partnership.

Section 5.3. Reporting Requirements. From the date hereof and thereafter for so long as the Borrower is indebted to any Lender and/or the Agent under any of the Financing Documents, the Borrower will, unless the Majority Lenders shall otherwise consent in writing, furnish or cause to be furnished to the Agent for distribution to the Lenders:

Section 5.3.1. As soon as possible and in any event upon acquiring knowledge of an Event of Default or Default, continuing on the date of such statement, the written statement of an Authorized Representative setting forth details of such Event of Default or Default and the actions which the Borrower has taken and proposes to take with respect thereto;

Section 5.3.2. As soon as practicable after the end of each Borrower fiscal year and in any event within 120 days after the end of each such fiscal year, consolidated and consolidating balance sheets of the Borrower and any Subsidiaries as at the end of such year, and the related statements of income and cash flows or shareholders' equity of the Borrower and any Subsidiaries setting forth in each case the corresponding figures for the preceding fiscal year, such consolidated statements to be certified by a firm of independent certified public accountants of nationally recognized standing selected by Borrower, to be accompanied by a true copy of said auditors' final management letter, if one was provided to the Borrower and is in final form, and to contain a statement to the effect that such accountants have examined Sections 5.1.10 through 5.1.13 and 5.2.17 and that no Default or Event of Default exists on account of Borrower's failure to have been in compliance therewith on the date of such statement;

Section 5.3.3. As soon as is practicable after the end of each fiscal quarter of each Borrower fiscal year and in any event within 45 days thereafter, consolidated balance sheets of the Borrower and any Subsidiaries as of the end of such period and the related statements of income and cash flows and shareholders' equity of the Borrower and any Subsidiaries, subject to changes resulting from year-end adjustments, together, subject to Section 5.3.7, with a comparison to the Budget for the applicable period, such balance sheets and statements to be prepared and certified by an Authorized Representative in an Officer's Certificate as having been prepared in accordance with GAAP except for footnotes and year-end adjustments, and to be in form reasonably satisfactory to the Agent;

Section 5.3.4. Simultaneously with the furnishing of each of the

year-end consolidated and consolidating financial statements of the Borrower and any Subsidiaries to be delivered pursuant to Section 5.3.2 and each of the consolidated quarterly statements of the Borrower and the Subsidiaries to be delivered pursuant to Section 5.3.3 an Officer's Certificate of an Authorized Representative which shall contain a statement in the form of Exhibit 3.1.1.10 to the effect that no Event of Default or Default has occurred, without having been waived in writing, or if there shall have been an Event of Default not previously waived in writing pursuant to the provisions hereof, or a Default, such Officer's Certificate shall disclose the nature thereof and the actions the Borrower has taken and prepare to take with respect thereto. Each such Officer's Certificate shall also contain a calculation of and certify to the accuracy of the amounts required to be calculated in the financial covenants of the Borrower contained in this Agreement and described in Exhibit 3.1.1.10;

Section 5.3.5. Promptly after the commencement thereof, notice of all material actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower and/or any Subsidiary;

Section 5.3.6. The borrowing base certificates required pursuant to Section 2.1 hereof;

Section 5.3.7. On or before January 31 of each fiscal year of the Borrower, an updated proposed budget, prepared on a quarterly basis, and updated financial projections for the Borrower and any Subsidiaries on a consolidated basis (together, the "Budget") for such fiscal year, setting forth in detail reasonably satisfactory to the Agent the projected results of operations of the Borrower and any Subsidiaries on a consolidated quarterly basis, detailed Capital Expenditures plan and stating underlying assumptions and accompanied by a written statement of an Authorized Representative certifying as to the approval of such Budget by Borrower's board of directors.

Section 5.3.8. Such other information respecting the Business Condition of the Borrower or any Subsidiaries as the Agent or any Lender may from time to time reasonably request;

Section 5.3.9. Written notice of the fact and of the details of any sale or transfer of any ownership interest in the Borrower that would cause a Change of Control or any Subsidiary given promptly after the Borrower acquires knowledge thereof; provided, however,

that this clause shall not be deemed to constitute or imply any consent to any such sale or transfer;

Section 5.3.10. Prompt written notice of loss of the chief executive officer, chief financial officer or any chief operating officer of the Borrower or any Subsidiary or any Material Adverse Effect and an explanation thereof and of the actions the Borrower and/or such Subsidiary propose to take with respect thereto; and

Section 5.3.11. Written notice of the following events, as soon as possible and in any event within 15 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or (ii) the institution of proceedings or the taking or expected taking of any other action by PBGC or the Borrower or any Commonly Controlled Entity to terminate, withdraw or partially withdraw from any Plan and, with respect to any Multiemployer Plan, the Reorganization (as defined in Section 4241 of ERISA) or Insolvency (as defined in Section 4245 of ERISA) of such Multiemployer Plan and in addition to such notice, deliver to the Agent whichever of the following may be applicable: (a) an Officer's

Certificate setting forth details as to such Reportable Event and the action that the Borrower or Commonly Controlled Entity proposes to take with respect thereto, together with a copy of any notice of such Reportable Event that may be required to be filed with PBGC, or b) any notice delivered by PBGC evidencing its intent to institute such proceedings or any notice to PBGC that such Plan is to be terminated, as the case may be.

ARTICLE 6.

EVENTS OF DEFAULT

Section 6.1. Events of Default. The Borrower shall be in default under each of the Financing Documents, upon the occurrence of any one or more of the following events ("Events of Default"):

Section 6.1.1. If the Borrower shall fail to make due and punctual payment of any principal, fees, interest and/or other amounts payable under this Agreement as provided in any Note and/or in this Agreement when the same is due and payable except that it shall not be an Event of Default if any interest, fees and/or other amounts (excluding principal) is paid within 5 days after it is due and payable, whether at the due date thereof or at a date fixed for prepayment or if the Borrower shall fail to make any such payment of fees, interest, principal and/or any other amount under this Agreement and/or under any Note on the date when such payment becomes due and payable by acceleration;

Section 6.1.2. If the Borrower or any Subsidiary shall make an assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall admit in writing its inability to pay its debts as they become due or shall file a voluntary petition in bankruptcy, or shall file any petition or answer seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy laws or other applicable federal, state or other statute, law or regulation, or

shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of it or of all or any substantial part of its properties, or if partnership or corporate action shall be taken for the purpose of effecting any of the foregoing; or

Section 6.1.3. To the extent not described in Section 6.1.2, (i) if the Borrower or any Subsidiary shall be the subject of a bankruptcy proceeding, or (ii) if any proceeding against any of them seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy law or other applicable federal, foreign, state or other statute, law or regulation shall be commenced, or (iii) if any trustee, receiver or liquidator of any of them or of all or any substantial part of any or all of their properties shall be appointed without their consent or acquiescence; provided that in any of the cases described above in this Section 6.1.3, such proceeding or appointment shall not be an Event of Default if the Borrower or the Subsidiary in question shall cause such proceeding or appointment to be discharged, vacated, dismissed or stayed within sixty (60) days after commencement thereof; or

Section 6.1.4. If final judgment or judgments aggregating more than $1,000,000 shall be rendered against the Borrower or any Subsidiary and shall remain undischarged, unstayed or unpaid for an aggregate of thirty (30) days (whether or not consecutive) after entry thereof; or

Section 6.1.5. If the Borrower or any Subsidiary shall default (after giving effect to any applicable grace period) in the due and punctual payment of the principal of or interest on any Indebtedness exceeding in the aggregate $1,000,000 (other than the Loans), or if any default shall have occurred and be continuing after any applicable grace period under any mortgage, note or other agreement evidencing, securing or providing for the creation of such

Indebtedness, which results in the acceleration of such Indebtedness or which permits, or with the giving of notice would permit, any holder or holders of any such Indebtedness to accelerate the stated maturity thereof; or

Section 6.1.6. If there shall be a default in the performance of the Borrower's obligations under Section 5.1.3 (insofar as such Section requires the preservation of the corporate existence of the Borrower or any Subsidiary), any of Sections 5.1.2, 5.1.10 through 5.1.13 or Section 5.2 of this Agreement or under any covenant, representation or warranty contained in any of the Security Documents for which no cure period is provided in such Security Document; or

Section 6.1.7. If there shall be any Default in the performance of any covenant or condition contained in this Agreement or in any of the other Financing Documents to be observed or performed pursuant to the terms hereof or any Financing Document, as the case may be, or to the extent such Default would have a Material Adverse Effect, by the Borrower under any of the Equity Documents, other than a covenant or condition referred to in any other subsection of this Section 6.1 and such Default shall continue unremedied or unwaived, (i) in the case of any covenant or condition contained in Section 5.3, for fifteen (15) Business Days, or (ii) in the case of any other covenant or condition for which no other grace period is provided, for thirty (30) days, or (iii) in the case of any other covenant or condition for which another grace period is provided, for such grace period, or (iv) if any of the representations and warranties made or deemed made by the Borrower to the Agent and/or any Lender pursuant to any of the

Financing Documents proves to have been false or misleading in any material respect when made and such falseness or misleading representation or warranty would be reasonably likely to have a material adverse effect on the Agent or any Lender or their rights and remedies or a Material Adverse Effect; or

Section 6.1.8. If there shall be any attachment of any deposits or other property of the Borrower and/or any Subsidiary in the possession of any Lender or any attachment of any other property of the Borrower and/or any Subsidiary in an amount exceeding $1,000,000, which shall not be discharged, vacated or stayed within thirty (30) days of the date of such attachment; or

Section 6.1.9. Any certification of the financial statements, furnished to the Agent pursuant to Section 5.3.2, shall contain any qualification; provided, however, that such qualifications will not be deemed an Event of Default if in each case (i) such certification shall state that the examination of the financial statements covered thereby was conducted in accordance with generally accepted auditing standards, including but not limited to all such tests of the accounting records as are considered necessary in the circumstances by the independent certified public accountants preparing such statements, (ii) such financial statements were prepared in accordance with GAAP and (iii) such qualification does not involve the "going concern" status of the entity being reported upon.

ARTICLE 7.

REMEDIES OF LENDERS

Upon the occurrence and during the continuance of any one or more of the Events of Default, the Agent, at the request of the Majority Lenders, shall, by written notice to the Borrower, declare the obligation of the Lenders to make or maintain the Loans to be terminated, whereupon the same and the Commitment shall forthwith terminate, and the Agent, at the request of the Majority Lenders, shall, by notice to the Borrower, declare the entire unpaid principal amount of each Note and all fees and interest accrued and unpaid thereon and/or under this Agreement, and/or any of the other Financing Documents and any and all other Indebtedness under this Agreement, each Note and/or any of the other Financing

Documents to the Agent and/or any of the Lenders and/or to any holder of all or any portion of each Note to be forthwith due and payable, whereupon each Note, and all such accrued fees and interest and other such Indebtedness shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that upon the occurrence of an Event of Default under Sections 6.1.2 or 6.1.3, all of the unpaid principal amount of each Note, all fees and interest accrued and unpaid thereon and/or under this Agreement and/or under any of the other Financing Documents and any and all other such Indebtedness of the Borrower to any of the Lenders and/or to any such holder shall thereupon be due and payable in full without any need for the Agent and/or any Lender to make any such declaration or take any action and the Lenders' obligations to make the Loans shall simultaneously terminate. The Agent shall, in accordance with the votes of the Majority Lenders, exercise all remedies on behalf of and for the account of each Lender and on behalf of its respective Pro Rata Share of the Loans, its Note and Indebtedness of the Borrower owing to it

or any of the foregoing, including, without limitation, all remedies available under or as a result of this Agreement, the Notes or any of the other Financing Documents or any other document, instrument or agreement now or hereafter securing any Note without any such exercise being deemed to modify in any way the fact that each Lender shall be deemed a separate creditor of the Borrower to the extent of its Note and Pro Rata Share of the Loans and any other amounts payable to such Lender under this Agreement and/or any of the other Financing Documents and the Agent shall be deemed a separate creditor of the Borrower to the extent of any amounts owed by the Borrower to the Agent.

ARTICLE 8.

AGENT

Section 8.1. Appointment. The Agent is hereby appointed as administrative and collateral agent, hereunder and each Lender hereby authorizes the Agent to act under the Financing Documents as its Agent hereunder and thereunder, respectively. The Agent agrees to act as such upon the express conditions contained in this Article 8. The provisions of this Article 8 are solely for the benefit of the Agent, and, except as expressly provided in Section 8.6, neither the Borrower nor any third party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Financing Documents to which the Agent is a party, the Agent shall act solely as Agent of the Lenders and does not assume nor shall the Agent be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrower, any of the Stockholders, any Affiliate or any Subsidiary.

Section 8.2. Powers; General Immunity.

Section 8.2.1. Duties Specified. Each Lender irrevocably authorizes the Agent to take such action on such Lender's behalf, including, without limitation, to execute and deliver the Financing Documents to which the Agent is a party and to exercise such powers hereunder and under the Financing Documents and other instruments and agreements referred to herein as are specifically delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Agent shall have only those duties and responsibilities which are expressly specified in this Agreement or in any of the Financing Documents and may perform such duties by or through its agents or employees. The duties of the Agent shall be mechanical and administrative in nature; and the Agent shall not have by reason of this Agreement or any of the Financing Documents a fiduciary relationship in respect of any Lender; and nothing in this Agreement or any of the Security Documents, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any of the Financing Documents or the other instruments and agreements referred to herein except as expressly set forth herein or therein.

Section 8.2.2. No Responsibility For Certain Matters. The Agent

shall not be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of any of the Financing Documents or any other document, instrument or agreement now or hereafter executed in connection herewith or therewith, or for

any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith by or on behalf of the Borrower, any of the Affiliates, and/or any Subsidiary to the Agent or any Lender, or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 8.2.3. Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted hereunder or under any of the Financing Documents, or in connection herewith or therewith unless caused by its or their gross negligence or willful misconduct. If the Agent shall request instructions from Lenders with respect to any action (including the failure to take an action) in connection with any of the Financing Documents, the Agent shall be entitled to refrain from taking such action unless and until the Agent, shall have received instructions from the Majority Lenders (or all of the Lenders if the action requires their consent). Without prejudice to the generality of the foregoing, (i) the Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for the Borrower, any of the Affiliates, and/or any Subsidiary), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against the Agent as a result of the Agent acting or (where so instructed) refraining from acting under any of the Financing Documents or the other instruments and agreements referred to herein in accordance with the instructions of the Majority Lenders (or all of the Lenders if the action requires their consent). The Agent shall be entitled to refrain from exercising any power, discretion or authority vested in it under any of the Financing Documents or the other instruments and agreements referred to herein unless and until it has obtained the instructions of the Majority Lenders (or all of the Lenders if the action requires their consent).

Section 8.2.4. Agent Entitled to Act as Lender. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, Fleet in its individual capacity as a Lender hereunder. With respect to its participation in the Loans and the Commitment, Fleet shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not performing the duties and functions delegated to it hereunder, and the term "Lender" or "Lenders" or any similar term shall, unless the context clearly otherwise indicates, include Fleet in its individual capacity. The Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with the Borrower, any of the Members, or any Affiliate or Subsidiary as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower and/or any of such other Persons for services in connection with this Agreement and otherwise without having to account for the same to Lenders.

Section 8.3. Representations and Warranties; No Responsibility for Appraisal of Creditworthiness. Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of the Borrower, the Members and any

Subsidiaries of any of them in connection with the making of the Loans hereunder

and has made and shall continue to make its own appraisal of the creditworthiness of the Borrower, the Members and the Subsidiaries. The Agent shall not have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto whether coming into its possession before the making of any Loan or any time or times thereafter (except for information received by the Agent under Section 5.3 hereof which the Agent will promptly forward to the Lenders), and the Agent shall further not have any responsibility with respect to the accuracy of or the completeness of the information provided to any of the Lenders.

Section 8.4. Right to Indemnity. Each Lender severally agrees to indemnify the Agent proportionately to its Pro Rata Share of the Loans, to the extent the Agent shall not have been reimbursed by or on behalf of the Borrower, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or in any way relating to or arising out of this Agreement and/or any of the other Financing Documents; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

Section 8.5. Payee of Note Treated as Owner. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of that Note or of any Note or Notes issued in exchange for such Note.

Section 8.6. Resignation by Agent.

Section 8.6.1. The Agent may resign from the performance of all its functions and duties under the Financing Documents at any time by giving 30 days' prior written notice to the Borrower and each of the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent, of appointment pursuant to Sections 8.6.2 and 8.6.3 below or as otherwise provided below.

Section 8.6.2. Upon any such notice of resignation, the Majority Lenders shall appoint a successor Agent, who shall be a Lender and, so long as no Default or Event of Default exists and is continuing, who shall be reasonably satisfactory to the Borrower and in any event shall be an incorporated bank or trust company with a combined surplus and undivided capital of at least Five Hundred Million Dollars ($500,000,000).

Section 8.6.3. If a successor Agent shall not have been so appointed within said 30 day period, the resigning Agent, with the consent of the Borrower, which shall not be

unreasonably withheld or delayed, shall then appoint a successor Agent, who shall be a Lender and who shall serve as the Agent, until such time, if any, as the Majority Lenders, and so long as no Default or Event of Default exists and is continuing, with the consent of the Borrower, which shall not be unreasonably withheld or delayed, appoint a successor Agent as provided above.

Section 8.6.4. If no successor Agent has been appointed pursuant to Sections 8.6.2 or 8.6.3 by the 40th day after the date such notice of resignation was given by the resigning Agent, the resigning Agent's resignation shall become effective and the Majority Lenders shall thereafter perform all the duties of the resigning Agent under the Financing Documents including without limitation directing the Borrower on how to submit Requests and Interest Rate Elections and otherwise on administration of the Agent's duties under the Financing Documents and the Borrower shall comply therewith so long as such directions do not have a Material Adverse Effect on the Borrower or any Subsidiary until such time, if any, as the Majority Lenders, and so long as no Default or Event of Default exists and is continuing, with the consent of the Borrower, which shall not be unreasonably withheld or delayed, appoint a successor Agent, as provided above.

Section 8.7. Successor Agent. Upon the acceptance of any appointment as the Agent hereunder by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent, shall be discharged from its duties and obligations as the Agent under the Financing Documents. After any retiring Agent's resignation hereunder as the Agent the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent under the Financing Documents.

Section 8.8. Co-Agents, etc. None of the Lenders identified on the facing page or elsewhere in this Agreement as a "Documentation Agent" or a "Co-agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE 9.

MISCELLANEOUS

Section 9.1. Consent to Jurisdiction and Service of Process.

Section 9.1.1. Except to the extent prohibited by applicable law, the Borrower irrevocably:

Section 9.1.1.1. agrees that any suit, action, or other legal proceeding arising out of any of the Financing Documents or any of the Loans may be brought in the courts of record of The Commonwealth of Massachusetts, the State of California or any other state(s) in which any of the Borrower's or any Subsidiary's assets are located or the courts of the United

States located in The Commonwealth of Massachusetts, the State of California or any other state(s) in which any of the Borrower's or any Subsidiary's assets are located;

Section 9.1.1.2. consents to the jurisdiction of each such court in any such suit, action or proceeding; and

Section 9.1.1.3. waives any objection which it may have to the laying of venue of such suit, action or proceeding in any of such courts.

For such time as any of the Indebtedness of the Borrower to any Lender and/or the Agent shall be unpaid in whole or in part and/or the Commitment is in effect, the Borrower irrevocably designates the registered agent or agent for service of process of the Borrower as reflected in the records of the Secretary of State of California as its registered agent, and, in the absence thereof, the Secretary of State of California as its agent to accept and acknowledge on its behalf service of any and all process in any such suit, action or proceeding brought in any such court and agrees and consents that any such service of process upon such agent and written notice of such service to the Borrower by registered or certified mail shall be taken and held to be valid personal service upon the Borrower regardless of where the Borrower shall then be doing business and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in each such state and waives any claim of lack of personal service or other error by reason of any such service. Any notice, process, pleadings or other papers served upon the aforesaid designated agent shall, within three (3) Business Days after such service, be sent by the method provided therefor under Section 9.6 to the Borrower at its
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address set forth in this Agreement. BORROWER, AGENT AND LENDERS MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY NOTE OR ANY OTHER FINANCING DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDERS TO ACCEPT THIS AGREEMENT AND THE NOTES] AND TO MAKE THE LOANS.

Section 9.2. Rights and Remedies Cumulative. No right or remedy conferred
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upon or reserved to the Agent and/or the Lenders in any of the Financing Documents is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under any of the Financing Documents or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under any of the Financing Documents, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.3. Delay or Omission not Waiver. No delay in exercising or
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failure to exercise by the Agent and/or the Lenders of any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by any of the Financing Documents or by law to the Agent and/or any of the Lenders may be exercised from time to time, and as often as may be deemed expedient, by the Agent and/or any of the Lenders.

Section 9.4. Waiver of Stay or Extension Laws. The Borrower covenants (to
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the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of any of the Financing Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit and advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Agent and/or any of the Lenders, but will suffer and permit the execution of every such power as though no such law had been enacted, except to the extent the Agent or any Lender is guilty of willful misconduct or gross negligence.

Section 9.5. Amendments, etc. No amendment, modification, termination, or
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waiver of any provision of any of the Financing Documents nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in a written notice given to the Borrower by the Agent and consented to in writing by the Majority Lenders (or by the Agent acting alone if any specific provision of this Agreement provides that the Agent, acting alone, may grant such amendment, modification, termination, waiver or departure) and the Agent shall give any such notice if the Majority Lenders so consent or direct the Agent to do so; provided, however, that any such amendment, modification, termination, waiver or consent shall require a written notice

given to the Borrower by the Agent and consented to in writing by all of the Lenders if the effect thereof is to (i) change any of the provisions affecting the interest rate or fees on the Loans so as to reduce said interest rate or fees, (ii) extend or increase the Commitment, including without limitation to waive, defer or reduce any mandatory prepayment under Section 2.6, (iii) discharge or release the Borrower from its obligation to repay all principal due under the Loans or release any collateral or guaranty for the Loans, (iv) change any Lender's Pro Rata Share of the Commitment or the Loans, (v) modify this Section 9.5, (vi) change the definition of Majority Lenders, (vii) extend any scheduled due date for payment of principal, interest or fees, (viii) permit the Borrower to assign any of its rights under or interest in this Agreement or (ix) change the definition of the Borrowing Base, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Any amendment or modification of this Agreement must be signed by the Borrower, the Agent and at least all of the Lenders consenting thereto who shall then hold the Pro Rata Shares of the Loans required for such amendment or modification under this Section 9.5 and the Agent shall sign any such amendment if such Lenders so consent or direct the Agent to do so provided that any Lender dissenting therefrom shall be given an opportunity to sign any such amendment or modification. Any amendment of any of the Security Documents must be signed by each of the parties thereto. No notice to or demand on the Borrower and no consent, waiver or departure from the terms of this Agreement granted by the Agent and/or the Lenders in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

Section 9.6. Addresses for Notices, etc. All notices, requests, demands and other communications provided for hereunder (other than those which, under the terms of this Agreement, may be given by telephone, which shall be effective when received verbally) shall be in writing (including telecopied communication) and mailed (provided that in the case of items referred to in the next-to-last sentence of Section 9.1 and the items set forth below as requiring a copy to legal counsel for the Borrower, the Agent or a Lender, such items shall be mailed by

overnight courier for delivery the next Business Day), telecopied or delivered to the applicable party at the addresses indicated below:

If to the Borrower:

Somera Communications, L.L.C.
5383 Hollister Avenue, Suite 100
Santa Barbara, CA 93111
Attention: Daniel A. Firestone, Chief Executive Officer
Telecopy: (805) 681-3325

With a copy to (if given pursuant to any of Sections 5.3.1, 5.3.5, 5.3.9, 5.3.10 and 5.3.11):

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304-1050
Attention: Kathleen B. Bloch, Esq.
Telecopy: (650) 493-6811

If to Fleet as the Agent and/or a Lender:

Fleet National Bank
Mailstop: MAOFDO7A
One Federal Street
Boston, MA 02110
Attention: Matthew M. Glauninger, Senior Vice President
Telecopy: (617) 346-0151

With a copy to (if given pursuant to any of Sections 5.3.1, 5.3.5, 5.3.9,

5.3.10 and 5.3.11)
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Hinckley, Allen & Snyder LLP
28 State Street
Boston, MA 02109
Attention: Malcolm Farmer, III, Esq.
Telecopy: (617) 345-9020

If to any other Lender, to the address set forth on Exhibit 1.9.
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or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to the delivery with the terms of this Section. All such notices, requests, demands and other communications shall be effective when received. Requests, certificates, other items provided pursuant to Section 5.3 and other routine mailings or notices
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need not be accompanied by a copy to legal counsel for the Lenders or the Borrower.

Section 9.7. Costs, Expenses and Taxes. The Borrower agrees to pay in
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accordance with Section 3.1.1.9 and thereafter within 30 days after receipt of
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an invoice the reasonable fees and out-of-pocket expenses of Messrs. Hinckley, Allen & Snyder, counsel for the Agent and of any

local counsel retained by the Agent in connection with the preparation, execution, delivery, syndication and administration of the Financing Documents and the Loans. The Borrower agrees to pay on demand all reasonable costs and expenses (including without limitation reasonable attorneys' fees) incurred by the Agent and/or any Lender, upon or after the occurrence and during the continuance of any Default or Event of Default, if any, in connection with the enforcement of any of the Financing Documents and any amendments, waivers or consents with respect thereto. In addition, the Borrower shall pay in accordance with Section 3.1.1.9 and thereafter within 30 days after receipt of an invoice
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any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of the Financing Documents, and agrees to save the Lenders and the Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, except those resulting from the Lenders' or Agent's gross negligence or willful misconduct.

Section 9.8. Participations. Subject to compliance with the proviso in
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the first sentence of Section 9.11, any Lender may sell participations in all or
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part of the Loans made by it and/or its Pro Rata Share of the Commitment or any other interest herein to a financial institution having at least $500,000,000 of assets, in which event the participant shall not have any rights under any of the Financing Documents (the participant's rights against such Lender in respect of that participation to be those set forth in the Agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder or thereunder shall be determined as if such Lender had not sold such participation. Such Lender may furnish any information concerning the Borrower and any Subsidiary in the possession of such Lender from time to time to participants (including prospective participants); provided that such Lender and any participant comply with the proviso in Section 9.11.7 as if any
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such participant was a Substituted Lender.

Section 9.9. Binding Effect; Assignment. This Agreement shall be binding
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upon and inure to the benefit of the Borrower, the Agent and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Agent and the Lenders. This Agreement and all covenants, representations and warranties made herein and/or in any of the other Financing Documents shall survive the making of the Loans, the execution and delivery of the Financing Documents and shall continue in effect so long as any

amounts payable under or in connection with any of the Financing Documents or any other Indebtedness of the Borrower to the Agent and/or any Lender remains unpaid or the Commitment remains outstanding; provided, however, that Sections 2.2.3 and 9.7 shall, except to the extent agreed to in a pay-off letter by the Agent and the Lenders in their complete discretion, survive and remain in full force and effect for 90 days following repayment in full of all amounts payable under or in connection with all of the Financing Documents and any other such Indebtedness.

Section 9.10. Actual Knowledge. For purposes of this Agreement, neither the Agent nor any Lender shall be deemed to have actual knowledge of any fact or state of facts unless the senior loan officer or any other officer responsible for the Borrower's account established pursuant to this Agreement at the Agent or such Lender, shall, in fact, have actual knowledge of such fact or state of facts or unless written notice of such fact shall have been received by the Agent or such Lender in accordance with Section 9.6.

Section 9.11. Substitutions and Assignments. Upon the request of any Lender, the Agent and such Lender may assign or pledge all or any portion of such Lender's Pro Rata Share of the Commitment and the Loans to an affiliate or Related Fund of a Lender (so long as such affiliate or Related Fund is at least adequately capitalized under any applicable federal regulations) or to another Lender and may, subject to the terms and conditions hereinafter set forth and with the prior written consent of the Agent and so long as no Default or Event of Default is in existence, the Borrower which shall not be unreasonably withheld or delayed, take the actions set forth below to substitute one or more other funds or financial institutions having at least $250,000,000 in assets and being at least adequately capitalized under applicable federal regulations (all of the foregoing assignees other than a Federal Reserve Bank being hereinafter called a "Substituted Lender") as a Lender or Lenders hereunder having an amount of the Loans as specified in the relevant Assignment and Acceptance executed in connection therewith; provided that no Lender, together with any affiliate or Related Fund of such Lender, shall have or shall assign a Pro Rata Share of the Commitment and the Loans in the aggregate of less than []% and Fleet and/or its affiliates shall retain for their own account at least []% of the Term Loan and []% of the Revolving Credit Loan Commitment.

Section 9.11.1. In connection with any such substitution the Substituted Lender and the Agent shall enter into a Substitution Agreement in the form of Exhibit 9.11.1 hereto (a "Substitution Agreement") pursuant to which such Substituted Lender shall be substituted for the Lender requesting the substitution in question (any such Lender being hereinafter referred to as a "Selling Lender") to the extent of the reduction in the Selling Lender's portion of the Loans specified therein. In addition, such Substituted Lender shall assume such of the obligations of each Selling Lender under the Financing Documents as may be specified in such Substitution Agreement and this Agreement shall be amended by execution and delivery of each Substitution Agreement to include such Substituted Lender as a Lender for all purposes under the Financing Documents and to substitute for the then existing Exhibit 1.9 to this Agreement a new Exhibit 1.9 in the form of Schedule A to such Substitution Agreement setting forth the portion of the Loans belonging to each Lender following execution thereof. The Agent, [and] each Selling Lender and, if Borrower has the right to consent to the substitution, the Borrower shall countersign and accept delivery of each Substitution Agreement.

Section 9.11.2. Without prejudice to any other provision of this Agreement, each Substituted Lender shall, by its execution of a Substitution Agreement, agree that neither the Agent nor any Lender is any way responsible for or makes any representation or warranty as to: (a) the accuracy and/or completeness of any information supplied to such Substituted Lender in connection therewith, (b) the financial condition, creditworthiness, affairs,

status or nature of the Borrower, any of the Affiliates and/or any of the Subsidiaries or the observance by the Borrower, or any other party of any of its obligations under this Agreement or any of the other Financing Documents or (c) the legality, validity, effectiveness, adequacy or enforceability of any of the Financing Documents.

Section 9.11.3. The Agent shall be entitled to rely on any Substitution Agreement delivered to it pursuant to this Section 9.11 which is complete and regular on its face as to its contents and appears to be signed on behalf of the Substituted Lender which is a party thereto, and the Agent shall have no liability or responsibility to any party as a consequence of relying thereon and acting in accordance with and countersigning any such Substitution Agreement. The

effective date of each Substitution Agreement shall be the date specified as such therein and each Lender prior to such effective date shall, for all purposes hereunder, be deemed to have and possess all of their respective rights and obligations hereunder up to 12:00 o'clock Noon on the effective date thereof.

Section 9.11.4. Upon delivery to the Agent of any Substitution Agreement pursuant to and in accordance with this Section 9.11 and acceptance thereof by the Agent (which delivery shall be evidenced and accepted exclusively and conclusively by the Agent's countersignature thereon pursuant to the terms hereof without which such Substitution Agreement shall be ineffective): (i) except as provided hereunder and in Section 9.11.5, the respective rights of each Selling Lender and the Borrower against each other under the Financing Documents with respect to the portion of the Loans being assigned or delegated shall be terminated and each Selling Lender and the Borrower shall each be released from all further obligations to the other hereunder with respect thereto (all such rights and obligations to be so terminated or released being referred to in this Section 9.11 as "Discharged Rights and Obligations"); and (ii) the Borrower and the Substituted Lender shall each acquire rights against each other and assume obligations towards each other which differ from the Discharged Rights and Obligations only in so far as the Borrower and the Substituted Lender have assumed and/or acquired the same in place of the Selling Lender in question; and (iii) the Agent, the Substituted Lender and the other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such Substituted Lender been an original party to this Agreement as a Lender possessing the Discharged Rights and Obligations acquired and/or assumed by it in consequence of the delivery of such Substitution Agreement to the Agent.

Section 9.11.5. Discharged Rights and Obligations shall not include, and there shall be no termination or release pursuant to this Section 9.11 of (i) any rights or obligations arising pursuant to any of the Financing Documents in respect of the period or in respect of payments hereunder made during the period prior to the effective date of the relevant Substitution Agreement or, (ii) any rights or obligations relating to the payment of any amount which has fallen due and not been paid hereunder prior to such effective date or rights or obligations for the payment of interest, damages or other amounts becoming due hereunder as a result of such nonpayment.

Section 9.11.6. With respect to any substitution of a Substituted Lender taking place after the Closing Date, the Borrower shall issue to such Substituted Lender and to such Selling Lender, new Notes reflecting the inclusion of such Substituted Lender as a Lender and the reduction in the respective Loans of such Selling Lender, such new Notes to be issued against receipt by the Borrower of the existing Notes of such Lender. The Selling Lender or the Substituted Lender shall pay to the Agent for its own account an assignment fee in the amount of $3,000 for each assignment hereunder, which shall be payable at or before the effective date of the assignment.

Section 9.11.7. Each Lender may furnish to any financial institution having at least $250,000,000 in assets which such Lender proposes to make a Substituted Lender or to a Substituted Lender any information concerning such Lender, the Borrower, Stockholders and any Subsidiary in the possession of that Lender from time to time; provided that any Lender

providing any confidential information about the Borrower, any of the Stockholders and/or any Subsidiary to any such financial institution shall first obtain such financial institution's agreement to keep confidential any such confidential information in accordance with Section 9.14.

Section 9.11.8. In addition to the foregoing, the Agent and each Lender may at any time pledge all or any portion of its rights to or under the Financing Documents, including any portion of the Notes, to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or the enforcement thereof shall release the Agent or such Lender from its obligations hereunder or under any of the other Financing Documents.

Section 9.12. Payments Pro Rata. The Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any obligations of the Borrower hereunder it shall distribute such payment to the Lenders pro rata based upon their respective Pro Rata Shares, if any, of the obligations with respect to which such payment was received. Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff under Section 2.5.2 or otherwise or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Financing Documents, or otherwise), which is applicable to the payment of the Obligations of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total amount of such Obligation then owed and due to such Lender bears to the total amount of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, except for any amounts received pursuant to Section 2.2.3, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the Borrower to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such amount; provided further, however, that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 9.13. Indemnification. The Borrower irrevocably agrees to and does hereby indemnify and hold harmless Agent and each of the Lenders, their agents or employees and each Person, if any, who controls any of the Agent and the Lenders within the meaning of Section 15 of the Securities Act of 1933, as amended, and each and all and any of them (the "Indemnified Parties"), against any and all losses, claims, actions, causes of action, damages or liabilities (including any amount paid in settlement of any action, commenced or threatened and any amount described in Section 8.4) (collectively, the "Damages"), joint or several, to which they, or any of them, may become subject under statutory law or at common law, and to reimburse the Indemnified Parties for any reasonable legal or other reasonable out-of-pocket expenses incurred by it or them in connection with investigating, preparing for or defending against any of the Indemnified Parties, insofar as such losses, claims, damages, liabilities or actions arise out of or are related to any act or omission of the Borrower and/or any Subsidiary with respect to any of (i) the Related Transactions, (ii) any of the Financing Documents, (iii) any of Loans, (iv) any use made or proposed to be made with the proceeds of the Loans, (v) any acquisition or proposed acquisition or any other similar business combination or proposed business combination by the Borrower and/or any of its Subsidiaries and/or its Affiliates (whether by acquisition or exchange of capital stock or other securities or by acquisition of all or substantially all of the assets of any

Person), (vi) any offering of securities by the Borrower and/or any Subsidiary after the date hereof and/or in connection with the Securities and Exchange Act of 1933 and/or (vii) any failure to comply with any applicable federal, state or foreign governmental law, rule, regulation, order or decree, including without limitation, any Damages which arise out of or are based upon any untrue statement or alleged untrue statement of a material fact with respect to matters relative to any of the foregoing contained in any document distributed in connection therewith, or the omission or alleged omission to state in any of the foregoing a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, but excluding any Damages to the extent arising from or due to, as determined in a final nonappealable judgment by a court of competent jurisdiction, the gross negligence or willful misconduct of any of the Indemnified Parties; provided, however, that notwithstanding the foregoing, no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort of otherwise) to the Borrower, any Affiliates or any Subsidiaries or to their respective security holders or creditors except for direct (as opposed to consequential) damages determined in a final nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or proceeding to which the indemnity described in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, any Affiliates or any Subsidiary or to their respective security holders or creditors or an Indemnified Party or an Indemnified Party is otherwise a party thereto and whether or not the Related Transaction and the transactions contemplated by the Financing Documents are consummated.

Promptly upon receipt of notice of the commencement of any action, or information as to any threatened action against any of the Indemnified Parties in respect of which indemnity or reimbursement may be sought from the Borrower on account of the agreement contained in this Section 9.13, notice shall be
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given to the Borrower in writing of the commencement or threatening thereof, together with a copy of all papers served, but the omission so to notify the Borrower of any such action shall not release the Borrower from any liability which it may have to such Indemnified Parties unless, and only to the extent that, such omission materially prejudiced Borrower's ability to defend against such action.

In case any such action shall be brought against any of the Indemnified Parties, the Borrower shall be entitled to participate in (and, to the extent that it shall wish, to select counsel and to direct) the defense thereof at its own expense. Any of the Indemnified Parties shall have the right to employ its or their own counsel in any case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel shall have been authorized in writing by the Borrower in connection with the defense of such action or the Borrower shall not have employed counsel to have charge of the defense of such action or such Indemnified Party shall have received an opinion from an independent counsel that there may be defenses available to it which are different from or additional to those available to the Borrower (in which case the Borrower shall not have the right to direct the defense of such action on behalf of such Indemnified Party), in any of which events the same shall be borne by the Borrower. If any Indemnified Party settles any claim or action with respect to which the Borrower has agreed to indemnify such Indemnified Party pursuant to the terms hereof, the Borrower shall have no liability pursuant to this Section 9.13 to such Indemnified Party with
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respect to such claim or action unless the Borrower shall have consented in writing to the terms of such settlement.

The provisions of Section 9.13 shall be effective only to the fullest
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extent permitted by law. The provisions of this Section 9.13 shall continue in
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effect and shall survive (among other events), until the applicable statute of limitations has expired, any termination of this Agreement, foreclosure, a deed in lieu transaction, payment and satisfaction of the Obligations of Borrower,

and release of any collateral for the Loans.

Section 9.14. Confidential Information. The Lenders and the Agent shall, with respect to any and all financial statements or other reports or documents delivered by or on behalf of the Borrower or any related parties to the Lenders or the Agent pursuant to Section 5.3 and any other information provided to any Lender or the Agent (other than in a public forum, including an analyst's meeting and other than any such information which is publicly available other than solely as a result of disclosure by the Agent or any of the Lenders) and to the extent that such information therein contained or provided has not theretofore otherwise been disclosed in such a manner as to render such information no longer confidential (other than as a result of disclosure by the Agent or a Lender in violation of its obligation hereunder), employ reasonable procedures designed to maintain the confidential nature of the information therein contained; provided, however, that any Lender or the Agent may disclose or disseminate such information to: (a) such Lender's or the Agent's respective employees, agents, attorneys and accountants who would ordinarily have access to such information in the normal course of the performance of their duties in connection with the administration of the Loans; (b) such third parties as such Lender or the Agent may deem reasonably necessary (and provided that such Lender or the Agent shall use reasonable efforts to give the Borrower prior notice of such disclosure) in connection with or in response to (i) compliance with any law, ordinance or governmental order, regulation, rule, subpoena, or investigation, or (ii) any order, decree, judgment, subpoena, notice of discovery or similar ruling or pleading issued, filed, served or purported on its face to be issued, filed or served (x) by or under authority of any court, tribunal, arbitration board or any governmental agency, commission, authority board or similar entity or (y) in connection with any proceeding, case or matter pending (or on its face purported to be pending) before any court, tribunal, arbitration board or any governmental agency, commission, authority, board or similar entity; provided that without notice to the Borrower, the Agent and any Lender may disclose such information to bank examiners of governmental agencies having regulatory authority over the Agent or such Lender in question in connection with such examiner's examinations of Agent or such Lender's books and records, or (iii) collection by judicial proceeding of any of the Indebtedness now or hereafter owing by the Borrower and/or any Subsidiary to the Agent and/or any of the Lenders or enforcement of any rights or remedies now or hereafter possessed by Agent and/or any of the Lenders pursuant to this Agreement, any of the Notes or any of the other Financing Documents; (c) subject to Section 9.11, any prospective purchaser (including an affiliate of any Lender), in connection with the resale or proposed resale by it of any portion of its Notes or other participation in its Pro Rata Share of the Loans; provided that the prospective participant has signed an agreement binding such participant under this Section 9.14 as if it were a Lender; and (d) any entity utilizing such information to rate or classify any Lender's or the Agent's debt or equity securities for sale to the public; provided that such rating agency has agreed to keep such information confidential pursuant to an agreement reasonably satisfactory to the Borrower.

Section 9.15. Governing Law. This Agreement and each Note shall be governed by, and construed in accordance with, the laws of The Commonwealth of Massachusetts without regard to such state's conflict of laws rules.

Section 9.16. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.17. Headings. Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 9.18. Counterparts. This Agreement may be executed and delivered in

any number of counterparts each of which shall be deemed an original, and this Agreement shall be effective when at least one counterpart hereof has been executed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument by their respective officers thereunto duly authorized, as of August 31, 1999.

SOMERA COMMUNICATIONS, L.L.C.

/s/ Dan Firestone
By:_____
Name: Daniel A. Firestone
Title: Chief Executive Officer

FLEET NATIONAL BANK, as Agent for the Lenders and as a Lender

/s/ Mathew M. Glauninger
By:_____
Name: Mathew M. Glauninger
Title: Senior Vice President

The balance of this page is intentionally left blank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument by their respective officers thereunto duly authorized, as of August 31, 1999.

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC.

/s/
By:_____
Name:
Title:

/s/
By:_____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

/s/
By:_____
Name:
Title:

SANWA BANK CALIFORNIA

/s/
By:_____
Name:
Title:

EXHIBIT 1.4 - FORM OF INTEREST RATE ELECTION

Fleet National Bank
One Federal Street

Date:

Boston, MA 02110
Attn: Karen Melanson
Telecopy: (617) 346-0151

Re: Interest Rate Election

Gentlemen:

Reference is made to that certain Loan Agreement, dated as of August ___, 1999 by and among the undersigned, you, and the Lenders, (the "Loan Agreement"). Capitalized terms used herein shall have the same meaning as in the Loan Agreement.

The undersigned hereby elects, pursuant to the Loan Agreement, that the [Libor Rate or Effective Prime] shall be the interest rate applicable to that certain [outstanding] Loan [requested pursuant to the Request attached hereto] in the principal amount of and no/100 Dollars ($). [The Interest Adjustment Date for said Loan is .]

The undersigned hereby elects an Interest Period for such Loan of [_] months. [Complete only if electing Adjusted Libor Rate].

The undersigned hereby certifies to the Lenders that as of the date hereof:

A. No Event of Default and no Default has occurred and is continuing; and

B. The representations and warranties of the Borrower contained in Article 4 of the Loan Agreement and/or in any of the other Financing Documents are true and correct in all material respects except as altered by actions permitted under the Loan Agreement.

SOMERA COMMUNICATIONS, L.L.C.

By:_____
Name: [_]
Title: [_]

cc: Fleet National Bank
Mailstop MA OF D07A
One Federal Street
Boston, MA 02110
Attn: Matthew M. Glauninger, Senior Vice President
Telecopy: (617) 346-0151

EXHIBIT 1.5 - FORM OF REVOLVING CREDIT NOTE

REVOLVING CREDIT NOTE

[Insert Maximum Amount of Lender's Pro Rata Share of Revolving Credit Loan Commitment]

_____, 19__

FOR VALUE RECEIVED, SOMERA COMMUNICATIONS, L.L.C., a _____ limited liability company with a business address of 5383 Hollister Avenue, Suite 100, Santa Barbara, California 93111 (hereinafter referred to as the "Borrower"), promises to pay to the order of [insert name of Lender], [a national banking association organized and existing under the laws of the United States of America] [a _____ banking corporation _____] (the "Lender"), at the office of Fleet National Bank or any successor agent under the Loan Agreement (defined below) (the "Agent") in accordance with the Loan Agreement (defined below), the lesser of (i) the principal sum of [insert Lender's Pro Rata Share of the Revolving Credit Loan Commitment] ($_____.00), or (ii) the aggregate unpaid principal amount of all advances of funds under the Revolving Credit Loan made by the Lender to the Borrower or by the Lender through the Agent to the Borrower pursuant to that certain Loan Agreement dated as of the date hereof by and among the Borrower, the Agent, the

other Lenders party thereto and the Lender, as the same may be amended (the "Loan Agreement").

The Borrower shall pay in full all unpaid principal, interest, fees and other amounts due under this Note on the Revolving Credit Repayment Date.

The Borrower promises to pay to the order of the Lender interest before and after maturity on the principal amount of this Note outstanding from time to time from the date hereof until payment in full of all principal, interest, fees and other sums due under this Note in accordance with the Loan Agreement.

Upon the occurrence and during the continuance of any Event of Default each Prime Rate Loan evidenced by this Note, shall bear interest, payable on demand, at a floating interest rate per annum equal to four percent (4.0%) above Effective Prime and each Libor Loan evidenced by this Note shall bear interest at the Libor Rate plus four percent (4.0%). In addition, in the event that the Borrower fails to pay any amount of principal or interest hereof within ten (10) days after such payment is due, the Borrower shall pay to the Lender upon demand by the Agent or the Lender, a late charge in an amount equal to five percent (5%) of such amount of principal or interest.

Principal, interest, fees and other sums are payable in immediately available Dollars to the Agent at its address set forth in the Loan Agreement or as otherwise directed in writing from the Agent to the Borrower.

This Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Loan Agreement. The applicable terms and provisions of the Loan Agreement are incorporated herein by reference as if fully set forth herein. In the event of any conflict between any provision of this Note and any provision(s) of the Loan Agreement, such provision(s) of the Loan Agreement shall control. Each capitalized term used in this Note and not expressly defined in this Note shall have the meaning ascribed to such term in the Loan Agreement. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments on account of principal of this Note prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement.

This Note is secured by the Security Documents.

If this Note shall not be paid when due and shall be placed by the holder hereof in the hands of an attorney for collection, through legal proceedings or otherwise, the Borrower will pay reasonable attorneys' fees to the holder hereof together with reasonable costs and expenses of collection.

All provisions of this Note and any other agreements between the Borrower and the Lender are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the Indebtedness evidenced by this Note or otherwise, shall the amount paid or agreed to be paid to the Lender which is deemed interest under applicable law exceed the maximum permitted rate of interest under applicable law (the "Maximum Permitted Rate"), which shall mean the law in effect on the date of this Note, except that if there is a change in such law which results in a higher Maximum Permitted Rate, then this Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of this Note, or the Loan Agreement or any document, instrument or agreement providing security for this Note results in the rate of interest charged hereunder being in excess of the Maximum Permitted Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. If, notwithstanding the foregoing, the Lender receives an amount which under applicable law would cause the interest rate hereunder to exceed the Maximum Permitted Rate, the portion thereof which would be excessive shall automatically be deemed a prepayment of and be applied to the unpaid principal balance of this Note to the extent of then outstanding Prime Rate Loans and not a payment of interest and to the extent said excessive portion exceeds the outstanding principal amount of Prime Rate Loans, said excessive portion shall be repaid to the Borrower.

The Borrower expressly waives presentment, notice of acceleration and intent to accelerate, demand for payment and protest and notice of protest and nonpayment.

This Note shall for all purposes be governed by and construed in accordance

with the laws of The Commonwealth of Massachusetts without regard to such state's conflict of laws rules.

Executed as a sealed instrument as of the date first above written.

In the presence of: SOMERA COMMUNICATIONS, L.L.C.

_____ By:_____
Name: [_]
Title: [_]

EXHIBIT 1.6 - FORM OF TERM NOTE

TERM NOTE

[Insert Amount of Lender's Pro Rata Share of Term Loan Commitment] _____, 19__

FOR VALUE RECEIVED, SOMERA COMMUNICATIONS, L.L.C., a _____ limited liability company, with a principal business address at 5383 Hollister Avenue, Suite 100, Santa Barbara, California 93111 (hereinafter referred to as the "Borrower") promises to pay the principal sum of [insert Lender's Pro Rata Share of the Term Loan] ($ .00) to the order of [insert name of Lender], [a national banking association organized and existing under the laws of the United States of America] [a [] corporation] (the "Lender"), at the office of Fleet National Bank or any successor Agent under the Loan Agreement (defined below), as Agent for the Lender (the "Agent"), in accordance with that certain Loan Agreement dated as of the date hereof by and among the Borrower, the Agent, the other Lenders party thereto and the Lender, as amended from time to time (the "Loan Agreement").

The Borrower promises to pay to the order of the Lender interest before and after maturity on the principal amount of this Note outstanding from time to time from the date hereof until payment in full of all principal, interest, fees and other sums due under this Note in accordance with the terms of the Loan Agreement.

The Borrower shall make payments of principal, interest, fees and other amounts in accordance with the Loan Agreement and shall pay in full all unpaid principal, interest, fees and other amounts due under this Note on the Term Loan Repayment Date.

This Note is secured by the Security Documents.

Upon the occurrence and during the continuance of any Event of Default each Prime Rate Loan evidenced by this Note shall bear interest, payable on demand, at a floating interest rate per annum equal to four percent (4.0%) above Effective Prime and each Libor Loan evidenced by this Note shall bear interest at the Libor Rate plus four percent (4.0%). In addition, in the event that the Borrower fails to pay any amount of principal or interest hereof within ten (10) days after such payment is due, the Borrower shall pay to the Lender upon demand by the Agent or the Lender, a late charge in an amount equal to five percent (5%) of such amount of principal or interest.

Principal, interest, fees and other sums are payable in immediately available Dollars to the Agent at its address set forth in the Loan Agreement or as otherwise directed in writing from the Agent to the Borrower.

This Note is one of the Term Notes referred to in, and is entitled to the benefits of, the Loan Agreement. The applicable terms and provisions of the Loan

Agreement are incorporated herein by reference as if fully set forth herein. In the event of any conflict between any provisions of this Note and any provision(s) of the Loan Agreement, such provision(s) of the Loan Agreement shall control. Each capitalized term used in this Note and not expressly defined in this Note shall have the meaning ascribed to such term in the Loan Agreement. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments on account of principal of this Note prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement.

If this Note shall not be paid when due and shall be placed by the holder hereof in the hands of an attorney for collection, through legal proceedings or otherwise, the Borrower will pay reasonable attorneys' fees to the holder hereof together with reasonable costs and expenses of collection.

All provisions of this Note and any other agreements between the Borrower and the Lender are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the Indebtedness evidenced by this Note or otherwise, shall the amount paid or agreed to be paid to the Lender which is deemed interest under applicable law exceed the maximum permitted rate of interest under applicable law (the "Maximum Permitted Rate"), which shall mean the law in effect on the date of this Note, except that if there is a change in such law which results in a higher Maximum Permitted Rate, then this Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of this Note, or the Loan Agreement or any document, instrument or agreement providing security for this Note results in the rate of interest charged hereunder being in excess of the Maximum Permitted Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. If, notwithstanding the foregoing, the Lender receives an amount which under applicable law would cause the interest rate under this Note to exceed the Maximum Permitted Rate, the portion thereof which would be excessive shall automatically be deemed a prepayment of and be applied to the unpaid principal balance of this Note to the extent of then outstanding Prime Rate Loans and not a payment of interest and to the extent said excessive portion exceeds the outstanding principal amount of Prime Rate Loans, said excessive portion shall be repaid to the Borrower.

The Borrower expressly waives presentment, notice of acceleration and intent to accelerate, demand for payment and protest and notice of protest and nonpayment.

This Note shall for all purposes be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts without regard to such state's conflict of laws rules.

Executed as a sealed instrument as of the date first above written.

In the presence of: SOMERA COMMUNICATIONS, L.L.C.

_____ By:_____
Name: [_]
Title: [_]

EXHIBIT 1.9 - PRO RATA SHARES

AGENT'S AND LENDERS'

NOTICE ADDRESSES AND WIRE TRANSFER INSTRUCTIONS

Name of AGENT, address for notices and wire transfer instructions:

Fleet National Bank
Mailstop MA OF D07A

One Federal Street
Boston, Massachusetts 02110
Attn: High Tech Group
Matthew M. Glauninger, Senior Vice President

Wire Transfer Instructions:

Fleet National Bank
Boston, Massachusetts
ABA #: 011000138 (FNB-MA)
Account: Commercial Loan Services
Attn: Agent Bank MA
Account #: 1510351 G/L
Re: Somera Communications, L.L.C.

Name of LENDER, address for notices and wire transfer instructions:	Pro Rata Share
Fleet National Bank Mailstop MA OF D07A One Federal Street Boston, Massachusetts 02110 Attn: High Tech Group Matthew M. Glauninger, Senior Vice President Wire Transfer Instructions: Fleet National Bank Boston, Massachusetts ABA #: 011000138 (FNB-MA) Account: Commercial Loan Services Attn: Agent Bank MA Account #: 1510351 G/L Re: Somera Communications, L.L.C.	27.7%

Name of LENDER, address for notices and wire transfer instructions:	Pro Rata Share
For Credit Matters: Union Bank of California, N.A 445 S. Figueroa Street, 15/th/ Floor Los Angeles, CA 90071 Attn: Bryan Bowles Tel: (213) 236-6087 Fax: (213) 236-6089 For Administrative/Operations Matters: Union Bank of California, N.A. 445 S. Figueroa Street, 15/th/ Floor Los Angeles, CA 90071 Attn: Karen Hicks, Vice President Tel: (213) 236-6088	26.2%

Fax: (213) 236-6073

Wire Transfer Instructions:

Union Bank of California, N.A.
Los Angeles, CA 90071
ABA #: 122000496
Account Name: Commercial Finance
Attn: RC #95300 GL #196431
Re: Somera

Name of LENDER, address for notices and wire transfer instructions:

For Credit Matters:	Pro Rata Share
Bank Austria Creditanstalt Corporate Finance, Inc. 4 Embarcadero Center, Suite 630 San Francisco, CA 94111 Attn: Mr. Geoff Headington Tel: (415) 788-1371 Ext. 222 Fax: (415) 781-0622	23.1%

For Administrative/Operations Matters:

Bank Austria Creditanstalt Corporate Finance, Inc.
2 Greenwich Plaza, 2/nd/ Floor
Greenwich, CT 06830
Attn: Ms. Karen Marcella
Tel: (203) 861-6423
Fax: (203) 861-1498

Wire Transfer Instructions:

The Chase Manhattan Bank
New York, New York
ABA #: 021 000 021
Favor to: Bank Austria AG
Account #: 400921944
Re: Somera Communications, L.L.C.

Name of LENDER, address for notices and wire transfer instructions:

For Credit Matters:	Pro Rata Share
Sanwa Bank California 15165 Ventura Blvd., Suite 445	23.1%

15165 Ventura Blvd., Suite 445
Sherman Oaks, CA 91403
Attn: Chuck Weerasooriya
Tel: (818) 905-0918
Fax: (818) 905-1002

For Administrative/Operations Matters:

Sanwa Bank California
15165 Ventura Blvd., Suite 445
Sherman Oaks, CA 91403
Attn: Barbara Arguijo
Tel: (818) 905-0910
Fax: (818) 905-1002

Wire Transfer Instructions:

Sanwa Bank California
Sherman Oaks, CA 91403
ABA #: 122003516
Account Name:
Attn:
Re:

EXHIBIT 1.10 - FORM OF REQUEST

Date:

Fleet National Bank
One Federal Street
Boston, Massachusetts 02110
Attn: Karen Melanson
Telecopy: (617) 346-0151

RE: Request for Loan

Gentlemen:

Reference is made to that certain Loan Agreement dated as of August __, 1999 by and among the undersigned, you and the Lenders (the "Loan Agreement"). Capitalized terms used herein shall have the same meaning as in the Loan Agreement.

The undersigned hereby requests a [Term] [Revolving Credit] Loan from the Lenders pursuant to the Loan Agreement in the amount of and no/100 Dollars ($ .00) at the interest rate set forth in the Interest Rate Election pertaining to such Loan.

The undersigned requests that each Lender fund its Pro Rata Share of such Loan on , 19 and such date is in accordance with the terms and conditions of the Loan Agreement.

The undersigned hereby certifies to the Lenders that as of the date hereof:

(a) no Event of Default and no Default has occurred and is continuing; and

(b) the representations and warranties of the Borrower contained in Article 4 of the Loan Agreement and/or contained in any of the other Financing Documents are true and correct in all material respects except as altered by actions not prohibited under the Loan Agreement.

SOMERA COMMUNICATIONS, L.L.C

By:_____
Name: [_]
Title: [_]

cc: Fleet National Bank
Mailstop MA OF D07A
One Federal Street
Boston, MA 02110
Attn: Matthew M. Glauninger, Senior Vice President
Telecopy: (617) 346-0151

EXHIBIT 2.1.0 - FORM OF BORROWING BASE CERTIFICATE

Fleet National Bank
Mailstop MA OF D07A
One Federal Street
Boston, Massachusetts 02110
Attn: Matthew M. Glauninger, Senior Vice President

Re: Borrowing Base Certificate Required by Section 2.1.0 of the Loan Agreement dated as of August __, 1999 by and among you as Agent, the undersigned and certain Lenders, as same may have been amended (the "Loan Agreement")

Gentlemen:

This certificate is submitted by the undersigned (hereinafter the "Borrower") pursuant to Section 2.1.0 of the Loan Agreement. Capitalized terms used herein have the same meaning as in the Loan Agreement.

The Borrower hereby certifies to the Agent and the Lenders that the following information is true, accurate and complete as of , 19 .

I. Loan Formula Amount

(a) Net Outstanding Amount of Eligible Receivables $_____

(b) Net Outstanding Amount of Eligible Inventory $_____

(c) Revolving Credit Loan Commitment $[_]

(d) Availability equal to lesser of (i) the sum of (x) eighty percent (80%) of (a) and (y) fifty percent (50%) of (b) up to $5,000,000 or (ii) the Revolving Credit Loan Commitment $_____

The Borrower further certifies to the Lenders that as of the date hereof no Event of Default or Default has occurred without having been waived in writing.

SOMERA COMMUNICATIONS, L.L.C.

By:_____
Name: [_]
Title: [_]

EXHIBIT 3.1.1.10 - FORM OF COMPLIANCE CERTIFICATE

Fleet National Bank
Mailstop MA OF D07A

One Federal Street
Boston, MA 02110
Attn: Matthew M. Glauninger, Senior Vice President

Re: Compliance Certificate Required by Sections 3.1.1.10 or 5.3.4 of the Loan Agreement dated as of August __, 1999 by and among you as Agent, the undersigned and certain Lenders, as same may have been amended (the "Loan Agreement")

Gentlemen:

This certificate is submitted by the undersigned (hereinafter the "Borrower") pursuant to Sections 3.1.1.10 or 5.3.4 of the Loan Agreement. Capitalized terms used herein have the same meaning as in the Loan Agreement.

The Borrower hereby certifies to the Agent and the Lenders that the following information is true, accurate and complete as of , 19 .

I. Definitions.

1.1 Interest Expense

(a)	Interest on Indebtedness under Financing Documents	$
(b)	Other fees, charges and expenses on Indebtedness under Financing Documents Documents (not including Facility Fees)	$
(c)	Interest, fees and other charges on other Indebtedness	$_____
(d)	(a)+(b)+(c) = total Interest Expense	$

1.2 EBITDA (all for a Borrower fiscal quarter)

(a)	Net Income (loss) on GAAP basis	$
(b)	plus Interest Expense	$

(c)	plus taxes	$
(d)	plus depreciation	$
(e)	plus amortization	$
(f)	plus other non-cash charges	$
(g)	plus extraordinary pre 9/30/99 transaction costs, if applicable	$
(h)	less Capitalized Software Development costs	$
(i)	sum of (a) through (g) less (h) = EBITDA	$_____

1.3 EBITDA for covenants

(a)	EBITDA for most recent Borrower fiscal quarter	$
(b)	EBITDA for immediately preceding Borrower fiscal quarter	$
(c)	EBITDA for second immediately preceding Borrower fiscal quarter	$
(d)	EBITDA for third immediately preceding Borrower	$

fiscal quarter

(e) Sum of (a) through (d) equals $_____

1.4 Total Debt Service (for Borrower fiscal quarter ending on date of determination and three Borrower fiscal quarters next preceding such Borrower fiscal quarter)

(a) Interest Expense $

(b) plus scheduled and mandatory principal amortization on Loans $

(c) less any Sections 2.6.1.2, 2.6.1.3, 2.6.1.4 and 2.6.1.5 mandatory payments required $

(d) plus scheduled and mandatory payments on other Indebtedness and Capitalized Lease Obligations $

(e) (a)+(b)-(c)+(d) = Total Debt Service $_____

1.6 Excess Cash Flow (all for Borrower fiscal year)

(a) EBITDA $

less the sum of:

(b) Total Debt Service $

(c) permitted Capital Expenditures paid and not included in Total Debt Service $

(d) taxes payable $

(e) extraordinary 9/30/99 transaction costs if applicable

(f) Total (b)+(c)+(d)+(e) = $

(g) (a)-(f) = Excess Cash Flow $

(h) (g) X [_]% = $_____

less

(i) voluntary prepayments of the Term Loan $

(j) (h) - (i) = Amount payable to Lenders $_____

II. Minimum EBITDA

(a) EBITDA $_____

(b) Minimum EBITDA permitted $_____

III. Section 5.1.11. Minimum Fixed Charge Coverage Ratio.

(a) EBITDA $

less the sum of:

(b) taxes paid or payable $

(c) Capital Expenditures $

(d) (b)+(c) = $

(e) (a)-(d) = $

(f) Total Debt Service $

(g) Ratio of (e) to (f) ___:1.0

(h) Minimum Ratio permitted ___:1.0

IV. Section 5.1.12. Maximum Leverage Ratio.
---------- ----------

(a) Total Indebtedness for Borrowed Money $

(b) EBITDA $

(c) Ratio of (a) to (b) ___:1.0

(d) Maximum permitted ___:1.0

V. Section 5.2.17. Capital Expenditures.
---------- ----------

(a) Capital Expenditures $

(b) Maximum permitted $

The Borrower further certifies to the Lenders that as of the date hereof no Event of Default or Default has occurred without having been waived in writing.

SOMERA COMMUNICATIONS, L.L.C.

By:_____
Name: [_]
Title: [_]

EXHIBIT 9.11.1 - FORM OF ASSIGNMENT AND ACCEPTANCE

Form of Assignment and Acceptance

Assignment and Acceptance made and entered into as of _____ day of _____, 19__ by and between _____, a _____ having a principal place of business at _____ (the "Substituted Lender"), _____, a _____ having a place of business at _____ (the "Selling Lender"), SOMERA COMMUNICATIONS, L.L.C., a limited liability company (the "Borrower") and FLEET NATIONAL BANK, acting as Agent for the Lenders which are parties to the Loan Agreement (defined below) (the "Agent").
----

1. This Agreement relates to a Loan Agreement (the "Loan Agreement") dated August, 1999, as same may have been or be amended, made between the Borrower, the Lenders and the Agent, upon and subject to the terms of which the Lenders agreed to make available to the Borrower the Loans in an aggregate principal amount up to $65,000,000. Terms defined in the Loan Agreement shall, unless otherwise defined herein, have the same meanings herein.

2. The Selling Lender hereby irrevocably sells and assigns to the Substituted Lender without recourse to the Selling Lender, and the Substituted Lender hereby irrevocably purchases and assumes from the Selling Lender without recourse to the Selling Lender, as of _____, _____ (the "Effective Date") the interest described in Schedule A hereto (the "Assigned Interest") in and to the Selling Lender's rights and obligations under the Loan Agreement as set forth on Schedule A hereto (the "Assigned Facility").

3. The Selling Lender (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any other Financing Document or any other instrument or document furnished pursuant thereto, other than that the Selling Lender has not created any adverse claim upon the Assigned Interest, has full right, power and authority to sell and assign the Assigned Interest and that the Assigned Interest is free and clear of any such adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any Subsidiary or any other obligor or the performance or observance by the Borrower, any of its Subsidiaries or any other obligor of any of their respective obligations under the Loan Agreement or any other Financing Document or any other instrument or document furnished pursuant hereto or thereto; and (iii) attaches any Notes held by it evidencing the Assigned Facility and (a) requests that the Agent, upon request by the Substituted Lender, exchange the attached Notes for a new Note or Notes payable to the Substituted Lender and (b) if the Selling Lender has retained any interest in the Loans, requests that the Agent

exchange the attached Notes for a new Note or Notes payable to the Selling Lender, in each case in amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

4. The Substituted Lender (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Loan Agreement, together with copies of the financial statements delivered pursuant to Section 5.3 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Selling Lender, the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement, the other Financing Documents or any other instrument or document furnished pursuant hereto or thereto; (iv) appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Agreement, the other Financing Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (v) agrees that it will be bound by the provisions of the Loan Agreement and will perform in accordance with its terms all the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.5.3.2 of the Loan Agreement.

5. The Substituted Lender hereby agrees to become a [] Lender pursuant to the terms of Section 9.11 of the Loan Agreement having a Pro Rata Share of the Loans and the Commitment in the amount set forth opposite the Substituted Lender's name on Schedule A hereto and to fund its Pro Rata Share of any outstanding Loans in which it is purchasing a Pro Rata Share by wire transfer to the Selling Lender in accordance with

Schedule A hereto on the Effective Date.

6. The Selling Lender hereby agrees that, effective as of the Effective Date, its Pro Rata Share of the Loans and the Commitment shall be reduced to the Pro Rata Share set forth opposite its name on Schedule A hereto.

7. The Substituted Lender hereby agrees (i) that its address for notices for the purposes of Section 9.6 of the Loan Agreement shall be the address set forth opposite its name on Schedule A hereto and (ii) that the instructions for wire transfers of funds to the Agent and for wire transfers of funds to the Substituted Lender are as set forth on Schedule A hereto.

8. The Substituted Lender hereby requests the Agent to accept, on behalf of the Borrower and the Lenders, this Agreement as an Assignment and Acceptance

delivered to the Agent pursuant to and for the purposes of Section 9.11 of the Loan Agreement so as to take effect in accordance with the terms hereof and thereof on Effective Date.

9. The Substituted Lender hereby acknowledges the correctness of the details specified in Schedule A hereto.

10. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with the laws of The Commonwealth of Massachusetts without regard to such state's conflict of laws rules.

Selling Lender:
[ ]

By:_____
Name:
Title:

Agent:
Fleet National Bank
, as Agent for itself in its individual capacity and as agent for the Lenders

By:_____
Name:
Title:

Borrower:
Somera Communications, L.L.C.

By:_____
Name:
Title:

Substituted Lender:
[ ]

By:_____
Name:
Title:

SCHEDULE A

AGENT'S AND LENDERS' NOTICE ADDRESSES AND WIRE TRANSFER INSTRUCTIONS

Name of AGENT, address for notices and wire transfer instructions:

Fleet National Bank
Mailstop MA OF D07A
One Federal Street
Boston, Massachusetts 02110
Attn: High Tech Group
Matthew M. Glauninger, Senior Vice President

Wire Transfer Instructions:

Fleet National Bank
Boston, Massachusetts
ABA #: 011000138 (FNB-MA)
Account: Commercial Loan Services
Attn: Agent Bank MA
Account #: 1510351 G/L
Re: Somera Communications, L.L.C.

Name of LENDER, address for notices and wire transfer instructions:	Pro Rata Share
Fleet National Bank Mailstop MA OF D07A One Federal Street Boston, Massachusetts 02110 Attn: High Tech Group Matthew M. Glauninger, Senior Vice President Wire Transfer Instructions: Fleet National Bank Boston, Massachusetts ABA #: 011000138 (FNB-MA) Account: Commercial Loan Services Attn: Agent Bank MA Account #: 1510351 G/L Re: Somera Communications, L.L.C.	27.7%

Name of LENDER, address for notices and wire transfer instructions:	Pro Rata Share
For Credit Matters: Union Bank of California, N.A 445 S. Figueroa Street, 15/th/ Floor Los Angeles, CA 90071 Attn: Bryan Bowles	26.2%

Tel: (213) 236-6087
Fax: (213) 236-6089

For Administrative/Operations Matters:

Union Bank of California, N.A.
445 S. Figueroa Street, 15/th/ Floor
Los Angeles, CA 90071
Attn: Karen Hicks, Vice President
Tel: (213) 236-6088
Fax: (213) 236-6073

Wire Transfer Instructions:

Union Bank of California, N.A.
Los Angeles, CA 90071
ABA #: 122000496
Account Name: Commercial Finance
Attn: RC #95300 GL #196431
Re: Somera

Name of LENDER, address for notices and wire transfer instructions:	Pro Rata Share
For Credit Matters: Bank Austria Creditanstalt Corporate Finance, Inc. 4 Embarcadero Center, Suite 630 San Francisco, CA 94111 Attn: Mr. Geoff Headington Tel: (415) 788-1371 Ext. 222 Fax: (415) 781-0622	23.1%

For Administrative/Operations Matters:

Bank Austria Creditanstalt Corporate Finance, Inc.
2 Greenwich Plaza, 2/nd/ Floor
Greenwich, CT 06830
Attn: Ms. Karen Marcella
Tel: (203) 861-6423
Fax: (203) 861-1498

Wire Transfer Instructions:

The Chase Manhattan Bank
New York, New York

ABA #: 021 000 021
Favor to: Bank Austria AG
Account #: 400921944
Re: Somera Communications, L.L.C.

Name of LENDER, address for notices and wire transfer instructions:

For Credit Matters:	Pro Rata Share
Sanwa Bank California 15165 Ventura Blvd., Suite 445 Sherman Oaks, CA 91403 Attn: Chuck Weerasooriya Tel: (818) 905-0918 Fax: (818) 905-1002	23.1%

For Administrative/Operations Matters:

Sanwa Bank California
15165 Ventura Blvd., Suite 445
Sherman Oaks, CA 91403
Attn: Barbara Arguijo
Tel: (818) 905-0910
Fax: (818) 905-1002

Wire Transfer Instructions:

Sanwa Bank California
Sherman Oaks, CA 91403
ABA #: 122003516
Account Name:
Attn:
Re:

EXHIBIT 10.6

SECURITY AGREEMENT

THIS AGREEMENT made as of August __, 1999, by and between SOMERA COMMUNICATIONS, L.L.C., a California limited liability company with a principal place of business at 5383 Hollister Avenue, Suite 100, Santa Barbara, California 93111 ("Debtor") and FLEET NATIONAL BANK, a national banking association organized under the laws of the United States having an office at One Federal Street, Mail Stop: MA OF DO7A, Boston, Massachusetts 02110, as Agent for itself and each of the other Lenders who are now or hereafter become parties to the hereinafter defined Loan Agreement ("Secured Party"). Capitalized terms used but not expressly defined herein shall have the meanings assigned thereto in said Loan Agreement.

Section 1. Recitals.

(a) Secured Party, Debtor and the Lenders have this day entered into that certain Loan Agreement (as the same may be amended from time to time, the "Loan Agreement") pursuant to the terms of which Lenders have agreed to make loans to Debtor as set forth therein.

Section 2. The Security Interests. (a) In order to secure (i) payment and performance of all of the obligations of Debtor under the Loan Agreement, under the Notes and under the other Financing Documents, (ii) the performance of all of the obligations of Debtor to Secured Party contained herein, and (iii) the payment of all other future advances and other obligations of Debtor to Secured Party and/or the Lenders, including, without limitation, any future loans and advances made to Debtor by Secured Party and/or the Lenders prior to, during or following any (a) application by Debtor for or consent by Debtor to the appointment of a receiver, trustee or liquidator of Debtor's property, (b) admission by Debtor in writing of its inability to pay or failure generally to pay its respective debts as they mature, (c) general assignment by Debtor for the benefit of creditors, (d) adjudication of Debtor as bankrupt or (e) filing by Debtor of a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debts, dissolution or liquidation statute, or an answer admitting the material allegations of a petition filed against it in a proceeding under any such law (any of the foregoing shall hereinafter be referred to as a "Bankruptcy Event"), any interest accruing under the Notes and/or the Loan Agreement after the commencement of a Bankruptcy Event to the extent permitted by applicable law, and any and all other indebtedness, liabilities and obligations of Debtor to Secured Party and/or the Lenders of every kind and description, direct, indirect

or contingent, now or hereafter existing, due or to become due (all of the foregoing being hereinafter called the "Obligations"), Debtor hereby grants to Secured Party for the benefit of the Lenders a continuing security interest in the following described fixtures and personal property (hereinafter collectively called the "Collateral"):

All fixtures and all tangible and intangible personal property of Debtor, whether now owned or hereafter acquired by Debtor, or in which Debtor may now have or hereafter acquire an interest, including, without limitation, (a) all equipment (including all machinery, tools and furniture), inventory and goods (each as defined in the Uniform Commercial Code, if so defined

therein); (b) all accounts, accounts receivable, other receivables, contract rights, chattel paper, and general intangibles (including, without limitation, trademarks, trademark registrations, trademark registration applications, servicemarks, servicemark registrations, servicemark registration applications, goodwill, tradenames, trade secrets, patents, patent applications, leases licenses, permits, copyrights, copyright registrations, copyright registration applications, moral rights, any other proprietary rights, exclusionary rights or intellectual property and any renewals and extensions associated with any of the foregoing, as each of the foregoing may be secured under the laws now or hereafter in force and effect in the United States of America or any other jurisdiction) of Debtor (each as defined in the Uniform Commercial Code, if so defined therein); (c) all instruments, documents of title, policies and certificates of insurance, securities (whether certificated or uncertificated) and other investment property (as defined in the Uniform Commercial code), bank deposits, deposit accounts, checking accounts and cash of Debtor; (d) all accessions, additions or improvements to, all replacements, substitutions and parts for, and all proceeds and products of, all of the foregoing and (e) all books, records and documents relating to any of the foregoing.

(b) All Collateral consisting of accounts receivable, contract rights, instruments, chattel paper and general intangibles (each as defined in the Uniform Commercial Code) of Debtor arising from the sale, delivery or provision of goods and/or services, including, without limitation, all documents, notes, drafts and acceptances, now owned by Debtor as well as any and all thereof that may be hereafter acquired by Debtor and in and to all returned or repossessed goods arising from or relating to any contract rights, accounts or other proceeds of any sale or other disposition of inventory, are sometimes hereinafter collectively called the "Customer Receivables".

(c) The security interests granted pursuant to this Section 2 (the
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"Security Interests") are granted as security only and shall not subject Secured Party to, or transfer or in any way affect or modify, any obligation or liability of Debtor under any of the Collateral or any transaction which gave rise thereto.

(d) Notwithstanding the foregoing, the security interest granted herein shall not extend to and the term "Collateral" shall not include any property,

rights or licenses to the extent the granting of a security interest therein would be contrary to applicable law or is prohibited by or would constitute a default under any agreement or document governing such property, rights or licenses (but only to the extent such prohibition is enforceable under applicable law).

Section 3. Delivery of Pledged Securities, Chattel Paper and Database. All securities including, without limitation, shares of stock and negotiable promissory notes, of Debtor, whether now owned or hereafter acquired by Debtor, shall be delivered to Secured Party by Debtor simultaneously with the delivery hereof or, with respect to after acquired securities, promptly after the same have been acquired by Debtor (which securities are hereinafter called the "Pledged Securities") shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated instruments of transfer or assignments in blank, all in form and substance satisfactory to Secured Party. Exhibit A attached hereto and made a part hereof sets forth a complete description of all securities owned by Debtor on the date hereof. Secured Party

may at any time or from time to time, at its sole discretion, require Debtor to cause any chattel paper included in the Customer Receivables to be delivered to Secured Party or any successor agent or representative designated by it for the purpose of causing a legend referring to the Security Interests to be placed on such chattel paper and upon any ledgers or other records concerning the Customer Receivables.

Section 4. Filing; Further Assurances. Debtor will, at its expense, execute, deliver, file and record (in such manner and form as Secured Party may reasonably require), or permit Secured Party to file and record, any financing statements, any carbon, photographic or other reproduction of a financing statement or this Security Agreement (which shall be sufficient as a financing statement hereunder), any specific assignments or other paper that may be reasonably necessary or desirable, or that Secured Party may reasonably request, in order to create, preserve, perfect or validate any Security Interest or to enable Secured Party to exercise and enforce its rights hereunder with respect to any of the Collateral. Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact to execute in the name and behalf of Debtor such additional financing statements as Secured Party may reasonably request.

Section 5. Representations and Warranties of Debtor. Debtor hereby represents and warrants to Secured Party that (a) Debtor is, or to the extent that certain of the Collateral is to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse Lien except as permitted under the Loan Agreement; (b) except for financing statements relating to Liens against Debtor specifically described in and permitted by the Loan Agreement, no

financing statement covering the Collateral is on file in any public office, other than the financing statements filed pursuant to this Security Agreement; (c) all information, representations and warranties contained in Exhibit B attached hereto and made a part hereof are true, accurate and complete in all material respects on the date hereof; and (d) there are no restrictions upon the voting rights or the transfer of all or any of the Pledged Securities (other than as may appear on the face of any certificate evidencing any of the Pledged Securities or as may be imposed by any state or local agency or government or Federal or State securities laws) and Debtor has the right to vote, pledge, grant the Security Interest in and otherwise transfer the Pledged Securities free of any encumbrances (other than applicable restrictions imposed by any state or local agency or government or Federal or state securities laws or regulations).

Section 6. Covenants of Debtor. Debtor hereby covenants and agrees with Secured Party that Debtor (a) will defend the Collateral against all claims and demands of all persons at any time claiming any interest therein other than that of Secured Party; (b) will provide Secured Party with prompt written notice of (i) any change in the office where Debtor maintains its books and records pertaining to the Customer Receivables, and (ii) the movement or location of Collateral to or at any address other than as set forth in Exhibit B attached hereto; (c) will promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date penalties attach thereto except to the extent permitted under the Loan Agreement; (d) will immediately notify Secured Party of any event causing a substantial loss or diminution in the value of all or any material part of the Collateral and the amount or an estimate of the amount of such loss or diminution; (e) will have and maintain insurance at all times in accordance with the provisions of the Loan Agreement; (f) except in the ordinary course of business or as otherwise

permitted under the Loan Agreement, will not sell or offer to sell or otherwise assign, transfer or dispose of the Collateral or any interest therein, without the prior written consent of Secured Party; (g) will keep the Collateral free from any adverse Lien (other than Liens permitted under the Loan Agreement) and in good order and repair, reasonable wear and tear excepted, and will not waste or destroy the Collateral or any part thereof; and (h) will not use the Collateral in violation of the Loan Agreement or this Agreement.

Section 7. Records Relating to Collateral. Debtor will keep its records concerning the Collateral, including the Customer Receivables and all chattel paper included in the Customer Receivables, at the location(s) set forth in Exhibit B attached hereto or at such other place or places of business of which Secured Party shall have been notified in writing no less than ten (10) days in

advance. Debtor will hold and preserve such records and chattel paper and will, to the extent provided in the Loan Agreement, (a) permit representatives of Secured Party at any time during normal business hours to examine and inspect the Collateral and to make abstracts from such records and chattel paper, and (b) furnish to Secured Party such information and reports regarding the Collateral as Secured Party may from time to time reasonably request.

Section 8. Record Ownership of Pledged Securities. Upon the occurrence and during the continuance of an Event of Default, Secured Party may cause any or all of the Pledged Securities to be transferred of record into the name of Secured Party (or a designee of Secured Party).

Section 9. Right to Receive Distributions on Pledged Securities. Unless an Event of Default shall have occurred and be continuing, Debtor shall be entitled, from time to time, to collect and receive for its own use all dividends, interest and other payments and distributions made upon or with respect to the Pledged Securities, except:

(i) dividends of stock;

(ii) dividends payable in securities or other property (except cash dividends);

(iii) other securities issued with respect to or in lieu of the Pledged Securities (whether upon conversion of the convertible securities included therein or through stock split, spin-off, split-off, reclassification, merger, consolidation, sale of assets, combination of shares or otherwise).

All of the foregoing, together with all new, substituted or additional shares of capital stock, warrants, options or other rights, or other securities issued in addition to or in respect of all or any of the Pledged Securities shall be delivered to Secured Party hereunder as required by Section 3 hereof, to be held as Collateral pursuant to the terms hereof in the same manner as the Pledged Securities delivered to Secured Party on the date hereof.

Section 10. Right to Vote Pledged Securities. Unless an Event of Default shall have occurred and be continuing, Debtor shall have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to the Pledged Securities and to exercise conversion rights with respect to the convertible securities included therein, and Secured Party shall, upon receiving a written request from Debtor accompanied by a certificate signed by

Debtor's principal financial officer stating that no Event of Default has occurred and is continuing, deliver to Debtor or as specified in such request

such proxies, powers of attorney, consents, ratifications and waivers in respect of any Pledged Securities which are registered in Secured Party's name, and make such arrangements with respect to the conversion of convertible securities as shall be specified in Debtor's request, such arrangements to be in form and substance reasonably satisfactory to Secured Party.

If an Event of Default shall have occurred and be continuing, and provided Secured Party elects to exercise the rights hereinafter set forth by notice to Debtor of such election, Secured Party shall have the right, to the extent permitted by law, and Debtor shall take all such action as may be necessary or reasonably appropriate to give effect to such right, to vote and to give consents, ratifications and waivers and take any other action with respect to all the Pledged Securities with the same force and effect as if Secured Party were the absolute and sole owner thereof.

Section 11. General Authority. Debtor hereby irrevocably appoints Secured Party Debtor's lawful attorney, with full power of substitution, in the name of Debtor, for the sole use and benefit of Secured Party, its successors and assigns, but at Debtor's expense, to exercise, all or any of the following powers with respect to all or any of the Collateral during the existence and continuance of any Event of Default:

(i) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due;

(ii) to receive, take, endorse, assign and deliver all checks, notes, drafts, securities, documents and other negotiable and non-negotiable instruments and chattel paper taken or received by Secured Party;

(iii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto;

(iv) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof or the related goods securing the Customer Receivables, as fully and effectually as if Secured Party were the absolute owner thereof;

(v) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

(vi) to discharge any taxes or Liens at any time placed thereon; and

(vii) to execute any document or form, in the name of Debtor, which may be necessary or desirable in connection with any sale of Pledged Securities by Secured Party, including without limitation Form 144 promulgated by the Securities and Exchange Commission;

provided, that Secured Party shall give Debtor not less than ten (10) days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral.

Section 12. Events of Default. Debtor shall be in default under this Security Agreement upon the occurrence and continuance of any Event of Default under the Loan Agreement.

Section 13. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing, Secured Party may exercise all the rights and remedies of a secured party under the Uniform Commercial Code. Secured Party may require Debtor to assemble all or any part of the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient. Secured Party shall give Debtor ten (10) days' written notice of its intention to make any public or private sale or sale at a broker's board or on a securities exchange of the Collateral. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as Secured Party may determine. Secured Party shall not be obligated to make any such sale pursuant to any such notice. To the extent permitted by law, Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be adjourned. Secured Party, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

Section 14. Application of Collateral and Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities: (a) first, to pay the expenses of such sale or other realization, including reasonable attorneys' fees, and all expenses, liabilities and advances incurred or made by Secured Party in connection therewith, and any other unreimbursed expenses for which Secured Party may be reimbursed pursuant to Section 15; (b) second, to the payment of the Obligations in such order of priority as Secured Party, in its sole discretion, shall determine; and (c) finally, to pay to Debtor, or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

Section 15. Expenses; Secured Party's Lien. Debtor will within 30 days after the presentation of invoices pay to Secured Party: (a) the amount of any taxes which Secured Party may have been required to pay by reason of the Security Interests (including any applicable transfer and personal property taxes but excluding taxes in respect of Secured Party's income and profits) or

to free any of the Collateral from any Lien thereon (except for any Lien permitted under the Loan Agreement) and (b) the amount of any and all reasonable costs and expenses, including the reasonable fees and disbursements of its counsel and of any agents not regularly in its employ, which Secured Party may incur in connection with (i) the collection or other disposition of any of the Collateral, (ii) the exercise by Secured Party of any of the powers conferred upon it hereunder, (iii) any default on Debtor's part hereunder or (iv) any Bankruptcy Event.

Section 16. Termination of Security Interests; Release of Collateral. Upon the repayment and performance in full of all the Obligations and the expiration or termination of any obligations of Secured Party to advance funds to Debtor, or upon the sale of any Collateral which is permitted under the Loan Agreement or as otherwise consented to in writing by Secured Party, the Security Interests on such sold Collateral shall terminate and all rights to the Collateral shall revert to Debtor. Upon any such termination of the Security Interests or release of Collateral, Secured Party will execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be. Notwithstanding the foregoing, this Security Agreement shall be reinstated if at any time any payment made or value received with respect to an Obligation is rescinded, invalidated, declared to be fraudulent or preferential, or set aside or is required to be repaid to a trustee, receiver or any other party under any case or proceeding, voluntary or involuntary, for the distribution, division or application of all or part of the assets of Debtor or the proceeds thereof, whether such case or proceeding be for the liquidation, dissolution or winding up of Debtor or their respective businesses, a receivership, insolvency or bankruptcy case or proceeding, an assignment for the benefit of creditors or a proceeding by or against Debtor for relief under the federal Bankruptcy Code or any other bankruptcy, reorganization or insolvency law or any other law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or marshalling of assets or otherwise, all as though such payment had not been made or value received.

Section 17. Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and mailed or telefaxed or delivered to the applicable party in the manner set forth in Section 9.6 of the Loan Agreement.

Section 18. Additional Provision Regarding Pledged Securities. With respect to any Pledged Securities which are delivered to the Secured Party pursuant to a separate pledge agreement, to the extent any provisions of that pledge agreement are inconsistent with the terms of this Security Agreement, the terms of that separate pledge agreement will govern.

Section 19. Miscellaneous. (a) No failure on the part of Secured Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or remedy under this Security Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by Secured Party of any right, power or remedy under this Security Agreement preclude any other right, power or remedy. The remedies in this Security Agreement are cumulative and are not exclusive of any other remedies provided by law. Neither this Security Agreement nor any provision hereof may be changed, waived, discharged or terminated orally but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought;

(b) This Security Agreement shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any state other than The Commonwealth of Massachusetts with respect to Collateral located in any such other state are governed by the laws of said state; and.

(c) This Security Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Security Agreement.

Section 20. Consent to Jurisdiction and Service of Process.

(a) Except to the extent prohibited by applicable law, Debtor irrevocably:

(i) agrees that any suit, action, or other legal proceeding arising out of this Security Agreement or any of the Loans may be brought in the courts of record of The Commonwealth of Massachusetts or any other state(s) in which any of the Collateral is located or the courts of the United States located in The Commonwealth of Massachusetts or any other state(s) in which any of the Collateral is located;

(ii) consents to the jurisdiction of each such court in any such suit, action or proceeding; and

(iii) waives any objection which it may have to the laying of venue of such suit, action or proceeding in any of such courts.

For such time as any of the Obligations of Debtor to Secured Party shall be unpaid in whole or in part and/or the Commitment is in effect, Debtor irrevocably designates the registered agent or agent for service of process of the Debtor as reflected on the records of the Secretary of State of California as its registered agent, and, in the absence thereof, the Secretary of State of State of California, as its agent to accept and acknowledge on its behalf

service of any and all process in any such suit, action or proceeding brought in any such court and agrees and consents that any such service of process upon such agent and written notice of such service to Debtor by registered or certified mail shall be taken and held to be valid personal service upon Debtor regardless of where Debtor shall then be doing business and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in each such state and waives any claim of lack of personal service or other error by reason of any such service. Any notice, process, pleadings or other papers served upon the aforesaid designated agent shall, within three (3) Business Days after such service, be sent by the method provided therefor under Section 9.6 of the Loan Agreement to the Debtor at its address set forth in the
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Loan Agreement. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF ANY DISPUTE BETWEEN THE DEBTOR AND SECURED PARTY WITH RESPECT TO THE FINANCING DOCUMENTS AND/OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 21. Severability. If any provision hereof is invalid or
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unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Secured Party.

IN WITNESS WHEREOF, this Security Agreement has been executed by the parties hereto all as of the day and year first above written.

SOMERA COMMUNICATIONS, L.L.C.,
a California limited liability company

By:_____
Name:
Title:

FLEET NATIONAL BANK, as Agent for
itself and the other Lenders

By: /s/ Mathew M. Glauninger
_____
Mathew M. Glauninger
Senior Vice President

EXHIBIT A

Securities Owned by Debtor

10

EXHIBIT B

Additional Representations and Warranties

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1. The exact title of Debtor is: _____. Debtor has not conducted business under any other corporate name except for those listed below:

a. _____
b. _____

2. Debtor uses in its business, or has used at any time during the last five years, and owns the following trade names:

a. _____
b. _____

3. Debtor was formed as a limited liability company on _____ under the laws of State of _____ and is in good standing under those laws.

4. The senior officers of Debtor are:

a.
b.
c.
d.

5. Debtor is qualified to transact business in the following states:

6. Debtor has places of business at:

5383 Hollister Avenue, Suite 100
Santa Barbara, California 93111

[LIST OTHERS]

7. Debtor owns or has an interest in personal property located elsewhere at:

a. _____
b. _____

8. Debtor maintains its records concerning the Collateral, including the Customer Receivables and all chattel paper included in Customer Receivables, at:

5383 Hollister Avenue, Suite 100

Santa Barbara, California 93111

9. Debtor owns property consisting of fixtures at the following locations:

Address	Record Owner of Real Estate
5383 Hollister Drive Santa Barbara, California 93111	_____

10. The following financing statements naming Debtor as "Debtor" are on file:

Location	Date	File Number	Collateral

Exhibit A

Continuation of UCC-1 Financing Statement

DEBTOR:

Somera Communications, L.L.C.
5383 Hollister Avenue, Suite 100
Santa Barbara, California 93111

SECURED PARTY:

Feet National Bank, as Agent
for itself and any other Lenders
(as defined in that certain Loan
Agreement dated August ____, 1999
by and among such parties and Debtor)
One Federal Street
Mail Stop: MA OF DO7A
Boston, MA 02110

DESCRIPTION OF COLLATERAL

All fixtures and all tangible and intangible personal property of Debtor, whether now owned or hereafter acquired by Debtor, or in which Debtor may now have or hereafter acquire an interest (collectively, the "Collateral"), including, without limitation, (a) all equipment (including all machinery, tools and furniture), inventory and goods (each as defined in the Uniform Commercial Code, if so defined therein); (b) all accounts, accounts receivable, other receivables, contract rights, chattel paper, and general intangibles (including, without limitation, trademarks, trademark registrations, trademark registration applications, servicemarks, servicemark registrations, servicemark registration applications, goodwill, tradenames, trade secrets, patents, patent applications, leases licenses, permits, copyrights, copyright registrations, copyright registration applications, moral rights, any other proprietary rights, exclusionary rights or intellectual property and any renewals and extensions associated with any of the foregoing, as each of the foregoing may be secured under the laws now or hereafter in force and effect in the United States of America or any other jurisdiction) of Debtor (each as defined in the Uniform Commercial Code, if so defined therein); (c) all instruments, documents of title, policies and certificates of insurance, securities (whether certificated or uncertificated) and other investment property (as defined in the Uniform Commercial code), bank deposits, deposit accounts, checking accounts and cash of Debtor; (d) all accessions, additions or improvements to, all replacements, substitutions and parts for, and all proceeds and products of, all of the foregoing and (e) all books, records and documents relating to any of the foregoing.

Notwithstanding the foregoing, the term "Collateral" shall not include any property, rights, or licenses to the extent the granting of a security interest therein would be contrary to applicable law or is prohibited by or would constitute a default under any agreement or document governing such property, rights or licenses (but only to the extent such prohibition is enforcible under applicable law).

EXHIBIT 10.7

SOMERA COMMUNICATIONS, LLC

JEFF MILLER EMPLOYMENT AGREEMENT

This Agreement is made by and between Somera Communications, LLC (the "Company") and Jeff Miller ("Executive") as of May 6th, 1999.

1. Duties and Scope of Employment.

(a) Positions; Commencement Date; Duties. Executive's employment with the Company pursuant to this Agreement shall commence on May 6th, 1999 (the "Commencement Date"). As of the Commencement Date, the Company shall employ the Executive as the Executive Vice President, Sales of the Company. The period of Executive's employment hereunder is referred to herein as the "Employment Term." During the Employment Term, Executive shall render such business and professional services in the performance of his duties, consistent with Executive's position within the Company, as shall reasonably be assigned to him by the Chief Executive Officer of the Company (the "CEO").

(b) Obligations. During the Employment Term, Executive shall devote his full business efforts and time to the Company. Executive agrees, during the Employment Term, not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the CEO; provided, however, that Executive may serve in any capacity with any civic, educational or charitable organization without the approval of the CEO.

2. Employee Benefits.

(a) General. During the Employment Term, Executive shall be eligible to participate in the employee benefit plans and insurance maintained by the Company that are applicable to other senior management to the full extent provided for under those plans. Promptly following the date hereof, the Company shall provide Executive with information regarding such plans and insurance. The Company reserves the right to cancel or change its benefits plans and programs it offers to its employees at any time.

(b) Relocation Expense Reimbursement. The Company will reimburse Executive for the following reasonable relocation costs:

(i) Two "house-hunting" trips to Santa Barbara, California, including airfare, hotel accommodations and related costs for two individuals per trip.

(ii) Transaction costs associated with buying Executive's new residence (closing costs, inspections, title insurance, brokerage and related fees, etc.).

(iii) Transaction costs associated with selling Executive's old residence (closing costs, inspections, title insurance, brokerage and related fees, etc.).

(iv) Moving household furnishings, personal effects and two automobiles (including packing and unpacking of household furnishings and personal effects).

(v) Up to three months temporary storage of household furnishings and personal effects if necessary.

(vi) Up to $10,000 for miscellaneous expenses related to the relocation.

Executive will be fully grossed-up by the Company for any imputed income required to be recognized with respect to this reimbursement so that the economic effect to Executive, after taking into account any tax deductions available to Executive, is the same as if this reimbursement was provided to Executive on a non-taxable basis.

(c) Temporary Living Expenses; Travel. The Company will pay for Executive's temporary living costs until the earlier of (i) such time as the Executive permanently relocates to Santa Barbara, California, or (ii) four months from the Commencement Date. Such costs will include out of pocket living expenses such as rent, meals, automotive rental and up to two round trip airfares per month for the Executive to return to Atlanta. The Executive agrees to make all possible efforts to consolidate business travel with trips to Atlanta.

(d) Relocation Loan. In connection with the transfer of Executive's principal place of employment to Santa Barbara, California, the Company shall provide Executive with an eight (8) year interest-free mortgage loan in the amount up to $600,000 for purposes of Executive's acquisition of a new principal residence (the "Loan"). The Loan shall be forgiven over eight years with $50,000 per year for the first four years and $100,000 per year for the final four years. The Loan shall be subject to, and governed by, the terms and conditions of a loan agreement and mortgage between the Executive and the Company attached hereto as Exhibit A (the "Loan Agreement"). The Company shall retain a mortgage security interest in the residence during the term of the Loan. The Loan is

intended to satisfy the Requirements of Proposed Treasury Regulation Section 1.7872-5T(c)(1) and the Executive and the Company agree to execute such documents as are necessary to comply therewith. In the event that, within twelve (12) months after a "Change of Control", Executive's employment with the Company is "Constructively Terminated" or terminated without "Cause" (all as defined below), the outstanding balance of the Loan shall be forgiven. In the event Executive is terminated due to (i) an act of dishonesty made by Executive in connection with his responsibilities as an employee of the Company, (ii) Executive's conviction of, or plea of nolo contendere to, a felony, or (iii)

Executive's gross misconduct, then the outstanding balance of the Loan shall be due and repayable to the Company within thirty (30) days of such termination. In the event Executive is terminated due to Executive's breach or failure to perform his employment duties as established by the CEO periodically and failure to cure such breach within thirty (30) days after receipt of written notice of breach from the Company, the outstanding balance of the Loan shall be due and repayable upon the earlier to occur of: (i) the date eighteen (18) months from such termination, (ii) within six (6) months of the date that Executive is able to sell his shares following the Company's initial public offering of its equity securities that is registered with the Securities Exchange Commission, or (iii) within thirty (30) days of the sale by the Executive of common units subject to any unit options held by Executive in connection with the merger of the Company with or into another corporation or the sale of all or substantially all of the Company's assets. If Executive resigns his employment, except in the case of a "Constructive Termination", the

Loan will be due and repayable within six (6) months of the effective date of termination. If Executive's employment is terminated by the Company without "Cause" or he is Constructively Terminated, then the Loan will be due and repayable upon the earlier of (i) eight years after the Loan Agreement was executed, or (ii) one year after Executive is first able to sell his shares following the Company's initial public offering.

3. At-Will Employment. Executive and the Company understand and
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acknowledge that Executive's employment with the Company constitutes "at-will" employment. Subject to the Company providing severance benefits as specified herein, Executive and the Company acknowledge that this employment relationship may be terminated at any time, upon written notice to the other party, with or without good cause or for any or no cause, at the option either of the Company or Executive.

4. Compensation.

(a) Base Salary. While employed by the Company, the Company shall
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pay the Executive as compensation for his services a base salary at the

annualized rate of $225,000 (the "Base Salary"). Such salary shall be paid periodically in accordance with normal Company payroll practices and subject to the usual required withholding.

(b) Bonuses.

(i) Signing Bonus. Executive shall receive a one-time signing bonus in the amount of $40,000 subject to normal Company payroll practices and to the usual required withholding.

(ii) Target Bonus. Executive shall be eligible to receive an annual target bonus, paid in equal quarterly installments, equal to $100,000 (the "Target Bonus"). The Target Bonus shall be based upon performance criteria specified by the CEO within ninety days from the Commencement Date and shall provide for a greater payment based on achievement in excess of the target milestones. The Executive shall be guaranteed the initial $100,000 Target Bonus for the first annual period. Notwithstanding the foregoing, the Company's obligation to make any quarterly installment payment, whether during the first or any subsequent annual period, shall be dependent upon Executive's employment with the Company through the end of such quarter. For purposes of the Target Bonus, the annual period shall commence on the Commencement Date (or anniversary thereof) and continue for a one year period.

(c) Equity Compensation.

(i) Membership Unit Option. The Company will recommend to the Board of Managers (the "Board") that the Executive receive a nonstatutory membership unit option to purchase 1.75% of the Company's then issued and outstanding membership units at a price equal to the fair market value as reasonably determined by the Board prior to the Commencement Date (the "Unit Option"). The Unit Option shall be for a term of ten years (or shorter upon termination of employment or consulting relationship with the Company) and, subject to accelerated vesting as set forth elsewhere herein, shall be vested with respect to twenty-five percent (25%) as of the first anniversary of the Commencement Date and shall thereafter vest at the rate of 1/36/th/ of the

remaining seventy-five percent (75%) on the first day of each month following the first anniversary of the Commencement Date. Such vesting shall be conditioned upon Executive's continued employment or consulting relationship with the Company as of each vesting date. Except as specified otherwise herein, the Unit Option shall be subject to the terms, definitions and provisions of the Company's 1999 Unit Plan (the "Unit Plan") and the standard form of unit option agreement thereunder to be entered into by and between Executive and the Company

(the "Option Agreement"), both of which documents are to be approved by the Board.

(d) Severance.

(i) Termination Without Cause. In the event that Executive's employment with the Company is involuntarily terminated by the Company without "Cause" or is "Constructively Terminated" (both as defined below), then (i) Executive's Unit Option shall have its vesting accelerated as to (A) if such termination occurs on or prior to the date six (6) months from the Commencement Date twenty-five percent (25%) of the units subject to the Unit Option, or (B) if such termination occurs following the date six (6) months from the Commencement Date that number of units subject to the Unit Option that would have become vested had Executive remained employed by the Company for an additional six (6) months; (ii) Executive shall receive a lump-sum payment equal to one year of his Base Salary and Target Bonus, less applicable withholding, promptly following such termination of employment; and (iii) Executive and his covered dependents shall receive coverage under the Company's health and other welfare benefit plans for a period of twelve (12) months, or, if and to the extent ineligible under the terms of such plans, Executive shall receive an amount equal to the Company's costs of providing such benefits.

For the purposes of this Agreement, "Cause" is defined as: (i) an act of dishonesty made by Executive in connection with his responsibilities as an employee of the Company, (ii) Executive's conviction of, or plea of nolo contendere to, a felony, (iii) Executive's gross misconduct, or (iv) Executive's breach or failure to perform his employment duties as established by the CEO periodically and failure to cure such breach within thirty (30) days after receipt of written notice of breach from the Company.

For this purpose, "Constructive Termination" is defined as the resignation of Executive within sixty (60) days following (i) the assignment to Executive of duties incommensurate with his status as Executive Vice President, Sales, or any material reduction of the Executive's duties, authority, responsibilities or title, relative to the Executive's duties, authority, responsibilities or title as in effect immediately prior to such reduction, except if agreed to in writing by the Executive; (ii) a reduction by the Company in the Base Salary, or Target Bonus as in effect immediately prior to such reduction; or (iii) the relocation of the Executive to a facility or a location more than thirty-five (35) miles from the Executive's then present location, without the Executive's written consent.

For the purposes of this Agreement, "Change of Control" is defined as:

(1) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or

indirectly, of securities of the Company representing fifty

percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(2) The consummation of a merger or consolidation of the Company with any other entity, 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) at least 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; or

(e) the consummation of the sale or disposition by the Company of all or substantially all the Company's assets.

5. Change of Control Vesting Acceleration. In the event of a Change of Control, an additional number of membership units equal to 25% of Executive's entire Unit Option as of the Commencement Date, together with any additional option grants Executive may receive from the Company while employed hereunder, shall become vested and immediately exercisable and any remaining unvested units subject to the Unit Option, or any additional option grants, shall be subject to vesting as otherwise provided herein or in the applicable option agreements.

6. Total Disability of Executive. Upon Executive's becoming permanently and totally disabled (as defined in accordance with Internal Revenue Code Section 22(e)(3) or its successor provision) during the term of this Agreement (and remaining so disabled for six (6) months), employment hereunder shall automatically terminate, all payments of compensation by the Company to Executive hereunder shall immediately terminate (except as to amounts already earned) and all vesting of the Executive's unit options shall immediately cease.

7. Death of Executive. If Executive dies while employed by the Company pursuant to this Agreement, all payments of compensation by the Company to Executive hereunder shall immediately terminate (except as to amounts already earned, which shall be paid to Executive's estate) and all vesting of the Executive's unit options shall immediately cease.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. As used herein, "successor" shall include any

person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement shall be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon the death of Executive following termination without cause. Any attempted assignment, transfer, conveyance or other disposition (other than as aforesaid) of any interest in the rights of Executive to receive any form of compensation hereunder shall be null and void.

9. Notices. All notices, requests, demands and other communications called for hereunder shall be in writing and shall be deemed given if (i) delivered personally, (ii) one (1) day

after being sent by Federal Express or a similar commercial overnight service, or (iii) three (3) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors in interest at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid:

If to the Company: Somera Communications, LLC
5383 Hollister Avenue, Suite 100
Santa Barbara, CA 93111
Attn: Chief Executive Officer

If to Executive: Jeff Miller
3740 Banyon Lane
Alpharetta, Georgia 30022

10. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

11. Proprietary Information Agreement. Executive agrees to enter into the Company's Proprietary Information Agreement (the "Proprietary Information Agreement"), attached hereto as Exhibit B, upon commencing employment hereunder.

12. Entire Agreement. This Agreement, the Loan Agreement, the Unit Plan, the Option Agreement, and the Proprietary Information Agreement represent the entire agreement and understanding between the Company and Executive concerning Executive's employment relationship with the Company, and supersede and replace any and all prior agreements and understandings concerning Executive's

employment relationship with the Company. In the event of any inconsistency between this Agreement and any other agreement referred to herein, the terms of this Agreement shall govern.

13. Arbitration and Equitable Relief.

(a) Except as provided in Section 13(c) below, Executive agrees that 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 arbitration to be held in Santa Barbara County, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). 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.

(b) The arbitrator shall apply California law to the merits of any dispute or claim, without reference to rules of conflict of law. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby expressly 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 and/or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in Section 13 modifies Executive's at-will status. Either the Company or Executive can terminate the employment relationship at any time, with or without cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS SECTION 13, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EXECUTIVE AGREES TO SUBMIT ANY FUTURE CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH, OR TERMINATION THEREOF TO BINDING ARBITRATION, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EXECUTIVE 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.

14. Legal Fee Reimbursement. The Company agrees to pay Executive's reasonable legal fees associated with entering into this Agreement upon receiving invoices for such services.

15. No Oral Modification, Cancellation or Discharge. This Agreement may only be amended, canceled or discharged in writing signed by Executive and the Company.

16. Withholding. The Company shall be entitled to withhold, or cause to be withheld, from payment any amount of withholding taxes required by law with respect to payments made to Executive in connection with his employment hereunder.

17. Governing Law. This Agreement shall be governed by the laws of the State of California.

18. Effective Date. This Agreement is effective May 6th, 1999.

19. Acknowledgment. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement. IN WITNESS WHEREOF, the undersigned have executed this Agreement on the respective dates set forth below:

SOMERA COMMUNICATIONS, LLC

/s/ Dan Firestone

Dan Firestone
Chief Executive Officer

EXECUTIVE

/s/ Jeff Miller

_____
Jeff Miller

Exhibit A

Loan Agreement

EXHIBIT 10.8

SOMERA COMMUNICATIONS, LLC

GARY OWEN EMPLOYMENT AGREEMENT

This Agreement is made by and between Somera Communications, LLC (the "Company") and Gary Owen ("Executive") as of July 13, 1999.

1. Duties and Scope of Employment.

(a) Positions; Commencement Date; Duties. Executive's employment with the Company pursuant to this Agreement shall commence on July 26, 1999 (the "Commencement Date"). As of the Commencement Date, the Company shall employ the Executive as the Chief Financial Officer of the Company. The period of Executive's employment hereunder is referred to herein as the "Employment Term." During the Employment Term, Executive shall render such business and professional services in the performance of his duties, consistent with Executive's position within the Company, as shall reasonably be assigned to him by the Chief Executive Officer of the Company (the "CEO").

(b) Obligations. During the Employment Term, Executive shall devote his full business efforts and time to the Company. Executive agrees, during the Employment Term, not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the CEO; provided, however, that Executive may serve in any capacity with any civic, educational or charitable organization without the approval of the CEO.

2. Employee Benefits.

(a) General. During the Employment Term, Executive shall be eligible to participate in the employee benefit plans and insurance maintained by the Company that are applicable to other senior management to the full extent provided for under those plans. Promptly following the date hereof, the Company shall provide Executive with information regarding such plans and insurance. The Company reserves the right to cancel or change its benefits plans and programs it offers to its employees at any time.

(b) Relocation Expense Reimbursement. The Company will reimburse

Executive for the following reasonable relocation costs:

(i) Two "house-hunting" trips to Santa Barbara, California, including airfare, hotel accommodations and related costs for the family.

(ii) Transaction costs associated with buying Executive's new residence (closing costs, inspections, title insurance, brokerage and related fees, etc.).

(iii) Transaction costs associated with selling Executive's old residence (closing costs, inspections, title insurance, brokerage and related fees, etc.).

(iv) Moving household furnishings, personal effects (including packing and unpacking of household furnishings and personal effects).

(v) Up to three months temporary storage of household furnishings and personal effects if necessary.

(vi) Purchase of replacement household electrical appliances (110 volts), not to exceed $5,000

(c) Temporary Living Expenses; Travel. The Company will pay for Executive's temporary living costs until the earlier of (i) such time as the Executive permanently relocates to Santa Barbara, California, or (ii) four months from the Commencement Date. Such costs will include out of pocket living expenses such as rent, meals, automotive rental and one round trip airfare per month for the Executive to return to England.

(d) Relocation Bridge Loan. In connection with the transfer of Executive's principal place of employment to Santa Barbara, California, the Company shall provide Executive with an six month (6) month interest-free mortgage loan in an amount to be determined by the president of the Company for purposes of Executive's acquisition of a new principal residence (the "Loan"). The Executive should repay the Loan upon receipt of the proceeds on the sale of Executives residence in England. The Loan shall be subject to, and governed by, the terms and conditions of a loan agreement and mortgage between the Executive and the Company attached hereto as Exhibit A (the "Loan Agreement"). The Company shall retain a mortgage security interest in the residence during the term of the Loan. The Loan is intended to satisfy the Requirements of Proposed Treasury Regulation Section 1.7872-5T(c)(1) and the Executive and the Company agree to execute such documents as are necessary to comply therewith. The Company shall pay Executive an additional cash amount to offset fully any income tax liability incurred by Executive under Section 7872 of the Internal Revenue Code of 1986, as amended or any similar or successor statute with respect to any such note, such that the after-tax cost to Executive with respect to interest on the note shall be zero dollars ($0).

(e) Tax Assistance. The Company will pay or reimburse Executive for expenses incurred by Executive in connection with his 1999 tax planning and filing.

3. At-Will Employment. Executive and the Company understand and acknowledge that Executive's employment with the Company constitutes "at-will" employment. Subject to the Company providing severance benefits as specified herein, Executive and the Company acknowledge that this employment relationship may be terminated at any time, upon written notice to the other party, with or without good cause or for any or no cause, at the option either of the Company or Executive.

4. Compensation.

(a) Base Salary. While employed by the Company, the Company shall pay the Executive as compensation for his services a base salary at the annualized rate of $200,000 (the "Base Salary"). Such salary shall be paid periodically in accordance with normal Company payroll practices and subject to the usual required withholding. The Base Salary shall be reviewed annually for possible raises, as determined by the Board in its discretion, in light of the Company's performance and Executive's performance of his duties.

(b) Bonuses.

(i) Signing Bonus. As of the Effective Date, the Company agrees to pay Executive a one-time signing bonus in the amount of $15,000, less applicable tax withholding.

(ii) Target Bonus. Executive shall be eligible to receive an annual target bonus, paid in equal quarterly installments, equal to $25,000 (the "Target Bonus"). The Target Bonus shall be based upon performance criteria specified by the CEO from time to time. The Executive shall be guaranteed the initial minimum $12,500 Target Bonus for the first annual period. Notwithstanding the foregoing, the Company's obligation to make any quarterly installment payment, whether during the first or any subsequent annual period, shall be dependent upon Executive's employment with the Company through the end of such quarter. For purposes of the Target Bonus, the annual period shall commence on the Commencement Date (or anniversary thereof) and continue for a one year period.

(c) Equity Compensation.

(i) Membership Unit Option. The Company will recommend to the Board of Managers (the "Board") that the Executive receive a nonstatutory membership unit option to purchase 270,000 Class A units of the Company's then issued and outstanding membership units at a price equal to the fair market value as reasonably determined by the Board prior to the Commencement Date (the "Unit Option"). The Unit Option shall be for a term of ten years (or shorter upon termination of employment or consulting relationship with the Company) and, subject to accelerated vesting as set forth elsewhere herein, shall be vested with respect to twenty-five percent (25%) as of the first anniversary of the Commencement Date and shall thereafter vest at the rate of 1/36th of the remaining seventy-five percent (75%) on the first day of each month following the first anniversary of the Commencement Date. Such vesting shall be conditioned upon Executive's continued employment or consulting relationship with the Company as of each vesting date. Except as specified otherwise herein, the Unit Option shall be subject to the terms, definitions and provisions of the Company's 1999 Unit Plan (the "Unit Plan") and the standard form of unit option agreement thereunder to be entered into by and between Executive and the Company (the "Option Agreement"), both of which documents are to be approved by the Board.

(d) Severance.

(i) Termination Without Cause. In the event that Executive's employment with the Company is involuntarily terminated by the Company without "Cause" or is "Constructively Terminated" (both as defined below), then (i) Executive's Unit Option shall have its vesting accelerated as to (A) if such termination occurs prior to the first anniversary of the Commencement Date twenty-five percent (25%) of the units subject to the Unit Option, or (B) if such termination occurs following the first anniversary of the Commencement Date that number of units subject to the Unit Option that would have become vested had Executive remained employed by the Company for an additional six (6) months; (ii) Executive shall receive a lump-sum payment equal to Nine Months of his Base Salary and Target Bonus, less applicable withholding, promptly following such termination of employment; and (iii) Executive and his covered dependents shall receive coverage under the Company's health and other welfare benefit plans for a period of nine (9) months, or, if and to the extent ineligible under the terms of such plans, Executive shall receive an amount equal to the Company's costs of providing such benefits.

For the purposes of this Agreement, "Cause" is defined as: (i) an act of dishonesty made by Executive in connection with his responsibilities as an employee of the Company, (ii) Executive's conviction of, or plea of nolo

contendere to, a felony, (iii) Executive's gross misconduct, or (iv) Executive's breach or failure to perform his employment duties as established by the CEO periodically and failure to cure such breach within thirty (30) days after receipt of written notice of breach from the Company.

For this purpose, "Constructive Termination" is defined as the resignation of Executive within sixty (60) days following (i) the assignment to Executive of duties incommensurate with his status as Chief Financial Officer, or any material reduction of the Executive's duties, authority, responsibilities or title, relative to the Executive's duties, authority, responsibilities or title as in effect immediately prior to such reduction, except if agreed to in writing by the Executive; (ii) a material reduction by the Company in the Base Salary, as in effect immediately prior to such reduction; or (iii) the relocation of the Executive to a facility or a location more than thirty-five (50) miles from the Executive's then present location, without the Executive's written consent.

For the purposes of this Agreement, "Change of Control" is defined as:

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

(2) The consummation of a merger or consolidation of the Company with any other entity, 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) at least 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; or

(e) the consummation of the sale or disposition by the Company of all or substantially all the Company's assets.

5. Change of Control Vesting Acceleration. In the event of a Change of Control, a number of membership units equal to 50% of Executive's entire Unit Option as of the Commencement Date, together with 50% of the units or shares of any additional option grants Executive may receive from the Company while employed hereunder, shall vest and become exercisable.

6. Total Disability of Executive. Upon Executive's becoming permanently and totally disabled (as defined in accordance with Internal Revenue Code

Section 22(e)(3) or its successor provision) during the term of this Agreement, employment hereunder shall automatically terminate, all payments of compensation by the Company to Executive hereunder shall immediately terminate (except as to amounts already earned) and all vesting of the Executive's unit options shall immediately cease.

7. Death of Executive. If Executive dies while employed by the Company pursuant to this Agreement, all payments of compensation by the Company to Executive hereunder shall immediately terminate (except as to amounts already earned, which shall be paid to Executive's estate) and all vesting of the Executive's unit options shall immediately cease.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. As used herein, "successor" shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement shall be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon the death of Executive following termination without cause. Any attempted assignment, transfer, conveyance or other disposition (other than as aforesaid) of any interest in the rights of Executive to receive any form of compensation hereunder shall be null and void.

9. Notices. All notices, requests, demands and other communications called for hereunder shall be in writing and shall be deemed given if (i) delivered personally, (ii) one (1) day after being sent by Federal Express or a similar commercial overnight service, or (iii) three (3) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors in interest at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid:

If to the Company: Somera Communications, LLC
5383 Hollister Avenue, Suite 100
Santa Barbara, CA 93111
Attn: Chief Executive Officer

If to Executive: Gary Owen
c/o Somera Communications, LLC
5383 Hollister Avenue, Suite 100

10. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

11. Proprietary Information Agreement. Executive agrees to enter into the Company's standard Proprietary Information Agreement (the "Proprietary Information Agreement") upon commencing employment hereunder.

12. Entire Agreement. This Agreement, the Unit Plan, the Option Agreement, and the Proprietary Information Agreement represent the entire agreement and understanding between the Company and Executive concerning Executive's employment relationship with the Company, and supersede and replace any and all prior agreements and understandings concerning Executive's employment relationship with the Company.

13. Arbitration and Equitable Relief.

(a) Except as provided in Section 13(c) below, Executive agrees that 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 arbitration to be held in Santa Barbara County, California, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association (the "Rules"). 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.

(b) The arbitrator shall apply California law to the merits of any dispute or claim, without reference to rules of conflict of law. The arbitration proceedings shall be governed by federal arbitration law and by the Rules, without reference to state arbitration law. Executive hereby expressly 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 and/or relating to any arbitration in which the parties are participants.

(c) Executive understands that nothing in Section 13 modifies Executive's at-will status. Either the Company or Executive can terminate the employment relationship at any time, with or without cause.

(d) EXECUTIVE HAS READ AND UNDERSTANDS SECTION 13, WHICH DISCUSSES ARBITRATION. EXECUTIVE UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EXECUTIVE AGREES TO SUBMIT ANY FUTURE CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION

WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH, OR TERMINATION THEREOF TO BINDING ARBITRATION, AND THAT THIS ARBITRATION

CLAUSE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EXECUTIVE 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.

14. Legal Fee Reimbursement. The Company agrees to pay Executive's reasonable legal fees associated with entering into this Agreement upon receiving invoices for such services.

15. No Oral Modification, Cancellation or Discharge. This Agreement may only be amended, canceled or discharged in writing signed by Executive and the Company.

16. Withholding. The Company shall be entitled to withhold, or cause to be withheld, from payment any amount of withholding taxes required by law with respect to payments made to Executive in connection with his employment hereunder.

17. Governing Law. This Agreement shall be governed by the laws of the State of California.

18. Effective Date. This Agreement is effective July 13, 1999.

19. Acknowledgment. Executive acknowledges that he has had the

opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the respective dates set forth below:

SOMERA COMMUNICATIONS, LLC

/s/ Dan Firestone

Dan Firestone
Chief Executive Officer

EXECUTIVE

/s/ Gary Owen

Gary Owen

Exhibit A

Loan Agreement

EXHIBIT 10.9

Net, Net, Net
LEASE

THIS LEASE dated January 20, 1998, for reference purposes only is made between the Lessor and the Lessee named below, effective on the later of the dates set forth under their respective signatures.

BASIC LEASE PROVISIONS

1.	Premises:	As depicted on Exhibit A.
	Building Name:	GRC International
	Premises Address:	5383 Hollister Avenue Santa Barbara, California 93111
	Use of Premises:	Offices.
2.	Leased Area:	As depicted on Exhibit A
	Square Feet:	5878 rentable square feet/5319 useable square feet
3.	Lessee's Percentages:	
	Building:	7.18%
	Common Area:	7.18%
4.	Initial Annual Rent:	$93,460.20 ($1.325 per rentable sq.ft. per month).
	Rental Deposit:	$7,788.35. (First month's rent)
	Rent Adjustment:	Annual adjustments to Initial Annual Rent as provided in Paragraph 3.5 subject to a minimum annual increase of 2% and a maximum annual increase of 7% over the rent payable during the prior lease year.

5.	Initial Monthly Rental Installments:	$7,788.35 commencing on the Rent Commencement Date.
6.	Term:	Five (5) years subject to early termination right as described in Paragraph 2.4. One three (3) year renewal option.
7.	Commencement Date:	The date of Lessor's notice to Lessee that the Tenant Improvements for the Premises are substantially complete as described in Paragraph 18.3. Substantial completion is estimated to be April 1, 1998 (the "Estimated Commencement Date").
8.	Rent Commencement Date:	Two months after the Commencement Date.
9.	Security Deposit:	$7,788.35.
10	Broker(s):	Blair-Hayes Commercial
11	Parking Spaces Provided:	18 on-site undesignated spaces in common with other tenants of Building.

12. Submission of this instrument for examination or signature by the Lessee does not constitute a reservation of or option for space and it is not effective as a lease or otherwise until execution by both the Lessee and the Lessor. This document will be deemed withdrawn by the Lessor if not executed by the Lessee and delivered to the Lessor by _____.

IN WITNESS WHEREOF, the parties hereto have executed this Lease, consisting of the foregoing Basic Lease Provisions, Articles 1 through 19 which follow, and any attached Exhibits or Addendums, as of the date first above written.

LESSOR:

Date: _____, 1998

SANTA BARBARA CORPORATE CENTER, LLC, a California limited liability company

By:_____
Jeffrey C. Bermant, Manager

Address:

5383 Hollister Avenue, Suite 150
Santa Barbara, California 93111

LESSEE:

Date: _____, 1998 SOMERA COMMUNICATIONS, LLC

By:

Name and Title:_____

Address:

_____

_____

1. LEASE OF PREMISES

The Lessor hereby leases to the Lessee and the Lessee leases from the Lessor for the term, at the rental, and upon all of the conditions set forth in this Lease, the Premises identified in Item 1 of the Basic Lease Provisions, together with the non-exclusive use, in common, with the Lessor and other tenants of the Building and their respective invitees, of common areas in or about the Building and the parking garage (if any) or parking areas adjoining the Building. The Lessee and the Lessor have agreed on the square footage set forth in item 2 of the Basic Lease Provisions and each party will be bound by item 2 through the term of this Lease or any extension thereof. The approximate anticipated configuration of the Project and the location of the Building, Premises and associated common and parking areas is indicated on Exhibit "B". The size, location and function of the buildings and related structures depicted here are approximate. The configuration of the development, the design, size, function and location of all other improvements, and the identity and location of other tenants to the extent depicted are subject to change without notice for any reason deemed sufficient by the owner. The Lessor reserves the right to alter the configuration of the Project to construct additional improvements thereon, to withdraw areas therefrom from time to time and alter the

configuration of the associated common and parking areas, provided that the number of parking spaces intended for the Lessee's use shall not thereby be materially diminished. The Lessee shall be allocated the number of parking spaces set forth in item 10 of the Basic Lease Provisions and the Lessee acknowledges that the Lessor shall have no responsibility to supervise or police the usage of the parking lot by the tenants of the Building. Nothing in this Lease shall cause the Lessor in any way to be construed as an employer, employee, fiduciary, a partner, a joint venturer or otherwise associated in any way with the Lessee in the operation of the Premises, or to subject the Lessor to any obligation, loss, charge or expense connection with or arising from the Lessee's operation or use of the Premises.

Pursuant to Section 1652 of the California Civil Code, it is understood and agreed that the general intent and purpose of this Lease is that this Lease shall be an absolute triple net lease with respect to the Lessor. The Lessee shall pay its pro rata share of all insurance, utilities, all operating costs for the Premises, the common areas of the Building, the Building and the land on which it is situated. It is intended that the rental return to the Lessor shall not be reduced, offset or diminished directly or indirectly by any cost, charge, or expense due from the Lessee and others in connection with the Premises, Building or land upon which it is situated, nor subject to suspension or termination for any reason. It is acknowledged and agreed that all provisions of this Lease shall be interpreted in a manner consistent with and subordinate to such general intent and purpose.

2. TERM

2.1. Commencement of Term

(a) The term of the Lease shall be as shown in item 6 of the Basic Lease Provisions, commencing on the Commencement Date, which the Lessor and the Lessee expect to be the Estimated Commencement Date as shown in item 7 of the Basic Lease Provisions, but which may be such other date as herein provided, and ending on the Termination Date, unless sooner terminated pursuant to any provision hereof.

(b) Notwithstanding the foregoing, the term of this Lease shall commence upon delivery of possession of the Premises and the payment of rent shall commence two (2) months thereafter. Delivery of possession of the Premises shall occur upon written tender of the same by the Lessor.

(c) If delivery of possession occurs prior to the Estimated Commencement Date, the term of this Lease shall commence on such date of delivery of possession, but the Termination Date shall not be advanced.

2.2. Delay in Commencement. Notwithstanding the Estimated Commencement Date, if for any reason the Lessor cannot deliver possession of the

Premises to the Lessee on or before said date, the Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of the Lessee hereunder or extend the term hereof provided, however, that if the Lessor shall not have delivered possession of the Premises within three (3) months after the Estimated Commencement Date, the Lessee may, at the Lessee's option by notice in writing to the Lessor, within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder. The Lessee shall not be obligated to pay rent until delivery of possession of the Premises has occurred.

2.3. Option to Renew. The Lessor hereby grants to the Lessee the right to renew this Lease, solely as to the space then occupied, for one (1) additional three-year period, upon the same terms, covenants and conditions as are provided in this Lease (including the rental adjustment provisions contained in Section 3.5), except as provided in this Paragraph.

(a) The Lessee shall give notice to the Lessor in writing of the Lessee's election to exercise such option no less than six (6) months' prior to the expiration of the Term. The Lessee shall not be entitled to exercise the option if, at the time of such exercise, (i) the Lessee is in default of any provision of this Lease and such default is not cured by the Lessee, either before or after exercise of the option, within thirty (30) days after written notice of such default from the Lessor to the Lessee or (ii) if the Lessor has delivered to the Lessee more than two (2) notices of default under this Lease within the previous twelve (12) months.

(b) The rights contained in this Paragraph 2.3 may be exercised by the originally named Lessee or by any assignee of the Lessee's interest in the Lease if the assignment has been approved by the Lessor under Article 11 of this Lease. Such rights may not be exercised by any sublessee of all or any portion of the Premises.

2.4. Early Termination Right. The Lessor hereby grants to the Lessee the right to terminate this Lease at the end of any calendar month after the thirty-sixth (36th) month of the term on the following conditions:

(a) The Lessee is not in default hereunder.

(b) The Lessee shall give notice to the Lessor in writing of the Lessee's election to terminate this Lease six (6) months prior to the proposed effective termination date.

(c) As consideration for the exercise of the early termination right, the Lessee shall pay to the Lessor an amount equal to three (3) months of the total monthly rent then payable, which payment shall be paid to the Lessor concurrently with the delivery of notice of termination. If the Lessor subsequently agrees to re-lease the Premises to a prospective tenant located by

the Lessee on such terms and conditions as the Lessor may determine appropriate, in the exercise of its sole discretion, and the new tenant has executed a binding Lease for the Premises under which the rent commences upon the effective date of the termination of this Lease, the Lessor shall refund the termination payment upon the commencement of the new tenant's lease and the receipt of the first month's rent.

3. RENT

3.1. Initial Annual Rent. The Lessee shall pay to the Lessor as rent for the Premises an Initial Annual Rent in the amount specified in item 4 of the Basic Lease Provisions in equal monthly installments in the amount specified in item 5 of the Basic Lease Provisions in advance on the first day of each month commencing on the Rent Commencement Date.

3.1.1 Rental Deposit. Upon Lease execution, the Lessee shall deposit with the Lessor an amount equivalent to the first and last month's rent as provided in item 4 of the Basic Lease Provisions.

3.2. Additional Rent. The Lessee shall reimburse the Lessor, as additional rent, in the manner and at the times provided, for the Lessee's proportionate share of all Building Operating Expenses and Common Area Operating Expenses (as hereinafter defined) incurred by the Lessor. The Lessee's proportionate share of such Building Operating Expenses and Common Area Operating Expenses shall be based upon the Lessee's Building Percentage in the case of Building Operating Expenses, and upon the Lessee's Common Area Percentage in the case of Common Area Operating Expenses, all as defined herein.

3.3. No Reduction or Offset. All Rent due under this Lease shall be payable without deduction, abatement or offset.

3.4. Definitions: For purposes of this Article 3:

(a) The Lessee's Building Percentage is a percentage calculated by dividing the Leased Area of the Premises by the leasable area of the Building, and is stipulated to be as shown in item 3 of the Basic Lease Provisions.

(b) Building Operating Expenses shall mean the sum of all expenses incurred by the Lessor in connection with the operation, repair and maintenance of the Building, including, but not limited to, heating and air conditioning; all real property taxes (as hereinafter defined) imposed upon or with respect to the Building and related improvements (exclusive of the land underlying all such improvements); all fire and extended coverage, earthquake, loss of rents, vandalism, malicious mischief and other insurance covering the Building and losses suffered which fall below the insurance deductible; utilities; materials

and supplies; salaries, wages and other expenses incurred with respect to the operation, repair and maintenance of the Building, the cost of repainting, wall covering or recarpeting Common Areas of the Building; the cost of an on site manager or office manager; security and fire protection; amortization of capital investments for improvements which are designed to reduce operating costs, improve operations or comply with governmental conservation or safety programs over such reasonable period as the Lessor shall determine (together with interest at five (5) percentage points above the discount rate of the Federal Reserve Bank of San Francisco on the unamortized amount); and an amount equal to fifteen percent (15%) of all such expenses to cover the Lessor's administrative and overhead expenses. Building Operating Expenses attributable to the utilities and services furnished pursuant to Article 10 shall be apportioned among the tenants of the Building receiving such services (excluding those tenants furnishing or paying for their own utilities and janitorial services) based on the respective leased areas occupied by such tenants.

(c) Lessee's Common Area Percentage is a percentage figure calculated by the project architect by dividing the Leased Area of the Premises by the average leasable area in all improvements, including the Building and other buildings, shown on Exhibit "B", during such year as is initially stipulated to be as shown in item 3 of the Basic Lease Provisions. Should the Building and/or landscape area become a separate legal lot, or should additional improvements or common area be added to or deleted from Exhibit "B", the Lessor may, at its option, calculate the Lessee's Common Area Percentage by comparing the common area attributable to the Premises with the common area on such legal lot or otherwise within Exhibit "B" as so revised.

(d) Common Area Operating Expenses shall mean the sum of all expenses incurred by the Lessor in connection with the operation and maintenance of driveways, landscaping, walkways, plazas, parking facilities, and perimeter property including, but not limited to: all items described in Section 6.1 hereof; all real property taxes (as hereinafter defined) imposed upon or with respect to the land included within Exhibit "B"; all public liability insurance covering Exhibit "B", and losses suffered which fall below the insurance deductible; security and fire protection; salaries, wages and other expenses incurred with respect to maintenance of the common areas, gardening, landscaping, repaving, repainting and trash removal; depreciation of equipment

used in such maintenance; amortization of capital investments for improvements which comply with governmental conservation or safety programs over such reasonable period as the Lessor shall determine (together with interest at five (5) percentage points above the discount rate of the Federal Reserve Bank of San Francisco on the unamortized amount); and an amount equal to fifteen percent (15%) of all such expenses to cover the Lessor's administrative and overhead expenses. General overhead and depreciation of improvements shall not be included in the expenses except as specifically set forth in the foregoing. Any governmental surcharge, fee or assessment imposed with respect to the parking facilities within Exhibit "B" shall, to the extent paid by the Lessor and not

passed on to the users of said parking facilities, be included in Common Area Operating Expenses.

(e) Real Property Taxes shall mean all real and personal property taxes and assessments incurred during any calendar year, including, but not limited to: special and extraordinary assessments, meter and sewer rates and charges, occupancy taxes or similar taxes imposed on or with respect to the real or personal property, whether or not imposed on or measured by the rent payable by the Lessee, and other governmental levies and charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever relating to the real or personal property, and any gross rental, license or business tax measured by or levied on rent payable or space occupied. If, by law, any property taxes are payable, or may at the option of the taxpayer be paid, in installments (whether or not interest shall accrue on the unpaid balance of such property taxes), the Lessor may, at the Lessor's option, pay the same and, in such event, any accrued interest on the unpaid balance of such property taxes shall be deemed to be Real Property Taxes as defined herein. Real Property Taxes shall also include all expenses reasonably incurred by the Lessor in seeking a reduction by the taxing authorities of Real Property Taxes applicable to the Project. Real Property Taxes shall not include any capital levy, franchise, estate, inheritance, succession, gift or transfer tax of the Lessor, or any income, profits or excess profits tax, assessment, charge or levy upon the income of the Lessor; provided, however, that if at any time during the term of this Lease under the laws of the United States or the State of California, or any political subdivision of either, a tax or excise on rents, space or other aspects of real property, is levied or assessed against the Lessor, the same shall be deemed to be Real Property Taxes. If any such property taxes upon the income of the Lessor shall be imposed on a graduated scale, based upon the Lessor's aggregate rental income, Real Property Taxes shall include only such portion of such property taxes as would be payable if the rent payable with respect to the Building and Common Areas were the only rental income of the Lessor subject thereto.

3.5. Rent Adjustment for Consumer Price Index. As specified in item 4 of the Basic Lease Provisions, the annual rent shall be increased as of the expiration of each full or partial calendar year of the Lease term (the "Adjustment Date") to reflect any increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, "Urban Wage Earners and Clerical Workers (Revised) Series) All Items - Los Angeles - Anaheim Riverside Average (1982-1984=100)". The index for said subgroup applicable for the month of December (or the month preceding the Commencement Date for the first full or partial calendar year of the lease term) preceding each Adjustment Date shall be considered the "base", and the annual rent following each

Adjustment Date shall be computed by adjusting the annual rent payable for the preceding calendar year thereof by the percentage change in the index as of the adjustment date over the "base"; provided, however, in no event shall the rent payable for any year be less than the rent payable for the preceding period on

account of the adjustment pursuant to this Section 3.5, notwithstanding the fact that the index may, as of some Adjustment Date, be less than the "base". If as of any Adjustment Date there shall not exist the Consumer Price Index in the same format as set forth above, the parties shall substitute any official index published by the Bureau of Labor Statistics or any successor or similar Governmental agency as may then be in existence and shall be most nearly equivalent thereto. If the parties shall be unable to agree upon a successor index, the parties shall refer the choice to arbitration in accordance with the rules of the American Arbitration Association. This provision shall not apply to the Building Operating Expenses or Common Area Operating Expenses. Notwithstanding anything herein to the contrary, the minimum annual increase shall be 2% and the maximum annual increase shall be 7%.

3.6. Calculation and Payment

(a) Annual rent shall be payable to the Lessor without deduction or offset, in lawful money of the United States at the Lessor's address herein or to such other persons or at such other places as the Lessor designates in writing. Rent payable for any period for less than one (1) month shall be prorated based upon a thirty (30) day month.

Prior to the commencement of the lease term and of each December thereafter, the Lessor shall give the Lessee a written estimate of the Lessee's share of Building and Common Area Operating Expenses for the ensuing year or portion thereof. The Lessee shall pay such estimated amount to the Lessor in equal monthly installments, in advance. Within ninety (90) days after the end of each calendar year, the Lessor shall furnish to the Lessee a statement showing in reasonable detail the actual Building and Common Area Operating Expenses incurred by the Lessor during such period, and the parties shall within thirty (30) days make any payment or allowance necessary to adjust the Lessee's estimated payment to the Lessee's actual proportionate share as shown by such annual statement. Any amount due the Lessee shall be credited against installments next coming due under this paragraph.

(b) Within ninety (90) days after each Adjustment Date, the Lessor shall furnish the Lessee with a written statement showing the percentage change in the index for the period ending on the Adjustment Date and specifying the increase, if any, in the annual rent subsequent to the Adjustment Date, taking into account all prior adjustments to annual rent for the period preceding the Adjustment Date pursuant to this paragraph above and applying any percentage increase in the index to the annual rent as previously adjusted. At the rental payment date next following the Lessee's receipt of such statement, the Lessee shall pay to the Lessor an amount equal to one-twelfth (1/12th) of the adjustment pursuant to this Paragraph (b) multiplied by the number of rent payment

dates (including the current one) since the relevant Adjustment Date. Subsequent rental payments shall be increased by one-twelfth (1/12th) of the adjustment

pursuant to this Paragraph (b).

3.7. End of Term. Upon the expiration or earlier termination of this Lease, the Lessee shall pay the Lessor, as additional rent, the aggregate rental increase which would have been payable by the Lessee pursuant to this Article 3, except for such expiration or termination, for the portion of the year in which termination or expiration occurs through the Termination Date. The amount of such payment shall be calculated by the Lessor based upon Sections 3.2, 3.3 and 3.5 (using the expiration or Termination Date as the Adjustment Date for Section 3.5) and the best information then available to the Lessor, and shall give effect to all prior adjustments and payments on account by Lessee pursuant to this Article 3.

4. SECURITY DEPOSIT

Concurrently with the Lessee's execution of this Lease, the Lessee shall deposit with the Lessor the sum specified in item 8 of the Basic Lease Provisions as security for the faithful performance by the Lessee of all covenants and conditions of this Lease. If the Lessee shall breach or default in the performance of any covenants or conditions of this Lease, including the payment of rent, the Lessor may use, apply or retain the whole or any part of such security deposit for the payment of any rent in default or for any other sum which the Lessor may spend or be required to spend by reason of the Lessee's default. If the Lessor so uses or applies all or any portion of said deposit, the Lessee shall, within ten (10) days after written demand therefor, deposit cash with the Lessor in an amount sufficient to restore said deposit to the full amount hereinabove stated and the Lessee's failure to do so shall be a material breach of this Lease. Should the Lessee comply with all covenants and conditions of this Lease, the security deposit or any balance thereof shall be returned to the Lessee (or at the option of the Lessor, to the last assignee of the Lessee's interest in this Lease) at the expiration of the term. The Lessee shall not be entitled to interest on the security deposit and the Lessor shall have the right to commingle said security deposit with other funds of the Lessor. Should the Lessor sell its interest in the Premises, the Lessor may transfer to the purchaser thereof the then unexpended or unappropriated deposit and thereupon the Lessor shall be discharged from any liability for such funds.

5. USE

5.1. Use. The Premises shall be used and occupied for the purposes described in item 1 of the Basic Lease Provisions, permitted under applicable ordinances and other Governmental requirements, the covenants, conditions and restrictions affecting the Project, as the same may be amended from time to time, and the Rules and Regulations as the Lessor may from time to time reasonably adopt for the safety, care and cleanliness of the Building and the Project or the preservation of good order. The Rules and Regulations presently in effect are attached hereto as

Exhibit "C". The Lessor shall not be responsible to the Lessee for the non-performance of any of said Rules and Regulations, or non-compliance with said covenants, conditions and restrictions, by any other tenant of the Building.

5.2. Compliance with Law; Nuisance. The Lessee, at the Lessee's sole cost and expense, shall comply promptly and at all times with all laws, requirements, ordinances, statutes, and regulations of all municipal, state or federal authorities, or any board of fire insurance underwriters, or other similar bodies, now in force or which may hereafter be in force, pertaining to the Building and the Premises and the occupancy thereof, including any law that requires alteration, maintenance or restoration of the Premises as the result of the Lessee's use thereof. The judgment of any court of competent jurisdiction, or the admission of the Lessee in any action or proceeding against the Lessee, whether the Lessor is a party thereto or not, that the Lessee violated any such ordinances or statutes in the use of the Premises shall be conclusive of that fact as between the Lessor and the Lessee. The Lessee, at its sole expense, shall also comply with all requirements for fire extinguishers or fire extinguisher systems required in the Premises.

The Lessee shall not commit, or suffer to be committed, any waste of the Premises, or any nuisance, annoyance or other unreasonable annoyance which may disturb the quiet enjoyment of adjoining premises or of the Building by the owners or occupants thereof.

5.3. Insurance Cancellation. Notwithstanding the provisions of Paragraph 5.1 above, the Lessee shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein, including all uses permitted under Section 5.1 above, which will in any way increase the existing rate of or affect any fire or other insurance upon the Building, or any other part thereof, or any of its contents, and if the Lessee's use of the Premises causes an increase in said insurance rates, the Lessee shall pay as additional rent the amount of such increase. The Lessee shall be in default under this Lease should the Lessee cause the cancellation of fire or other insurance upon the Building or Property or should the Lessee fail to pay any increased insurance rate attributable to the Lessee's use of the Premises. In determining whether increased premiums are a result of the Lessee's use or occupancy of the Premises or Building, a schedule issued by the Lessor's insurer computing the insurance rate on the Premises or Building, or the leasehold improvements showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up such rate. The Lessee shall promptly comply with all reasonable requirements of the insurance authority or of any insurer now or hereafter in effect relating to the Premises.

5.4. Hazardous Substances. Any corrosive, flammable, hazardous or other special waste or materials shall be handled or disposed of as directed by applicable state, Federal, County and City regulations. The Lessee shall handle, store or dispose of such materials in a careful and prudent manner. At the termination of the Lease, or any option period thereof, the Lessee shall

fully clean the Premises in such a manner that no residue of such materials or waste shall remain on the Premises. The Lessee shall notify the appropriate governmental authority of the presence and amount of any such material or waste, and shall comply with all conditions imposed by such authority. The Lessee shall contact the appropriate governmental authority prior to occupancy to determine the existence of any records for the Building and/or Premises. Specifically thirty (30) days prior to occupancy, the Lessee shall submit a Hazardous Materials Management Plan (HMMP) and a Hazardous Materials Floor Plan (HMF) to the Lessor and the appropriate governmental authority for approval. These plans shall be attached in full to this Lease.

The HMMP shall include the following:

(a) The company name, address and contact person.

(b) General facility description with map showing location of all buildings and structures.

(c) Facility hazardous material storage map showing the location of each proposed hazardous material storage area and access to such facilities. The map shall be updated annually by the occupant and submitted by January 1 each year.

(d) A floor plan showing the location of each hazardous material storage area, storage area access, and the location of emergency equipment.

The HMF shall include the following:

(a) Hazardous Materials Handling Report describing the safe handling of hazardous materials to prevent accidents.

(b) Separation or Hazardous Material Report outlining the methods to be utilized to insure separation and protection of hazardous materials from such factors that could cause fire, explosion, spills, etc.

(c) Inspection and Record Keeping Plan indicating the procedures for inspecting each storage facility. An authorized record of inspection shall be maintained by the Lessee.

(d) Employee Training Program to insure that employees know how to safety handle hazardous materials.

(e) Hazardous Materials Contingency Plan that clearly describes appropriate response procedures and measures in case of an accident.

(f) A floor plan identifying the location and quantity of each hazardous material, including the chemical name and quantity limit for each class.

The Lessee shall pay inspection fees, based on the hourly inspection rate, for an environmental audit to be conducted by the appropriate governmental authority, or the Lessor at the termination of the Lease and prior to reoccupation of the Building and/or the Premises, if hazardous materials were in use on the Building and/or Premises. The appropriate governmental authority shall perform or the Lessee shall arrange for such an audit in a timely manner to prevent economic hardship to the Lessor and shall certify that the Premises are available for reoccupation, or shall specify clean-up measures that will render the Premises safe for reoccupation. The Lessee shall be responsible for any clean-up that may be required as a result of the audit.

Should the Lessee fail to comply with any duty set forth in this Section 5.4, the Lessor may, in addition to all other remedies now or hereafter provided by this Lease, or by law, perform such duty or make good such default, and any amounts which the Lessor shall advance pursuant thereto shall be repaid by the Lessee to the Lessor on demand.

5.5. Environmental Laws.

(a) Compliance with Environmental Laws. The Lessee, in its conduct of business on or in any activity, work, thing done, permitted or suffered by the Lessee, its agents, contractors, employees or invitees on the Premises, shall at all times and in all respects comply with all federal, state and county laws, ordinances and regulations (the "Hazardous Materials Laws") relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances, or wastes, including, without limitation, any "hazardous substances," "hazardous wastes," "hazardous

materials," or "toxic substances" under any such laws, ordinances or regulations (collectively, the "Hazardous Materials"). Such laws, ordinances or regulations shall include, but not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq; the Clean Water Act, 33 U.S.C. Section 466, et seq; the Safe Drinking Water Act, 14 U.S.C. Section 1401, et seq; the Superfund Amendment and Reauthorization Act of 1986; Public Law 99-499, 100 Stat. 1613; the Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq, as amended; those substances defined as "hazardous waste", "extremely hazardous waste", "restricted hazardous waste" or "hazardous substance" in the Hazardous Waste Control Act, Section 25100 et seq of the California Health & Safety Code; and those materials and substances

similarly described in the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 136, et seq., as amended; the Atomic Energy Act of 1954, 42 U.S.C. Section 2011, et seq., as amended; the Porter Cologne Water Quality Control Act, Section 1300 et seq. of the California Health & Safety Code; and any regulations adopted and publications promulgated pursuant to said Laws.

(b) Hazardous Materials Handling. The Lessee shall, at its own expense, procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for the Lessee's use of the Premises, including, without limitation, discharge of (appropriately treated) materials or wastes into or through any sanitary sewer serving the Premises. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Materials Laws, the Lessee shall cause any and all Hazardous Materials removed from the Premises to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. The Lessee shall in all respects handle, treat, deal with and manage any and all Hazardous Materials in, on, under or about the Premises in total conformity with all applicable Hazardous Materials Laws and prudent industry practices regarding management of such Hazardous Materials. Upon expiration or earlier termination of the term of the Lease, the Lessee shall cause all Hazardous Materials to be removed from the Premises and transported for use, storage or disposal in accordance and compliance with all applicable Hazardous Materials Laws. The Lessee shall not take any remedial action in response to the presence of any Hazardous Materials in or about the Premises or the Building, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to any Hazardous Materials in any way connected with the Premises or the Building, without first notifying the Lessor of the Lessee's intention to do so and affording the Lessor ample opportunity to appear, intervene or otherwise appropriately assert and protect the Lessor's interest with respect thereto.

(c) Notices. The Lessee shall immediately notify the Lessor in writing of any of the following activities relating to the Lessee's operations on the Premises: (i) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Laws; (ii) any claim made or threatened by any

person against the Lessee, the Premises or the Building relating to damage, contribution, cost recovery compensation, loss or injury resulting from or claimed to result from any Hazardous Materials in, on or removed from the Premises or the Building; and (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in or removed from the Premises or the Building, including any complaints, notices, warnings or asserted violations in connection therewith. The Lessee shall also supply to the Lessor as promptly as possible, and in any event within five (5) business days after the Lessee first receives or sends the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises, the Building or the Lessee's use thereof. The Lessee shall

promptly deliver to the Lessor copies of hazardous waste manifests reflecting the legal and proper disposal of all Hazardous Materials removed from the Premises.

(d) Indemnification of Lessor. The Lessee shall indemnify, defend, protect, and hold the Lessor, and each of the Lessor's partners, employees, agents, attorneys, successors and assigns, free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) for death of or injury to any person or damage to any property whatsoever arising from or caused in whole or in part, directly or indirectly, by (A) the presence in, on, under or about the Premises or the Building, or discharge in or from the Premises or the Building of any Hazardous Materials or the Lessee's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials to, in, on, under, about or from the Premises or the Building, but only to the extent such Hazardous Materials are present as a result of actions of the Lessee, its officers, employees, invitees, assignees, contractors, or agents, or (B) the Lessee's failure to comply with any Hazardous Materials Law. The Lessee's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, clean-up or detoxification or decontamination of the Premises or the Building, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of the Lease. For purposes of the release and indemnity provisions hereof, any acts or omissions of the Lessee, or by officers, invitees, employees, agents, assignees, contractors or subcontractors of the Lessee or others acting for or on behalf of the Lessee (to the extent any such individual is acting within the scope of his relationship with the Lessee), whether or not such acts or omissions are negligent, intentional, willful or unlawful, shall be strictly attributable to the Lessee.

60 MAINTENANCE, REPAIRS AND ALTERATIONS

6.1. Lessor's Obligations. The Lessor shall cause to be maintained, in good order, condition and repair, the roof structure and membrane, and exterior walls, common windows and doors of the Building (excluding the interior surface thereof), heating, venting and air conditioning systems, and any public and common areas in the Building, as well as all parking areas, driveways, sidewalks, private roads or streets, landscaping and all other areas located within the

Project other than areas occupied by other buildings (such non-building areas being herein referred to as "Common Areas"). The costs of such maintenance are a Building Operating Expense and/or a Common Area Operating Expense and are chargeable to the Lessee on a prorata basis pursuant to Section 3.2 hereof.

6.2. Lessee's Obligations. The Lessee shall, during the term of this

Lease, keep in good order, condition and repair, the interior of the Premises and every part thereof, including, but not limited to, all interior windows and doors in and to the Premises. The Lessor shall incur no expense nor have any obligation of any kind whatsoever in connection with the maintenance of the interior of the Premises and the Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Lessee the right to make repairs at the Lessor's expense or to terminate this Lease because of any failure to keep the interior of the Premises in good order, condition and repair. Notwithstanding the foregoing, the Lessor shall be liable for maintenance or repairs which are caused by the Lessor's gross negligence. The Lessee shall be responsible for interior janitorial services.

6.3. Alterations and Additions.

(a) The Lessee shall not, without the Lessor's prior written consent, make any alterations, improvements, additions or utility installations in, on or about the Premises unless such work is non-structural and does not exceed TEN THOUSAND DOLLARS ($10,000). For all work, the Lessee will provide the Lessor with as-built drawings reflecting any changes to the Premises. As used in this Paragraph 6.3, the term "utility installations" shall include bus ducting, power panels, fluorescent fixtures, space heaters, conduits and wiring. As a condition to giving such consent, the Lessor may require that the Lessee (i) agree to remove any such alterations, improvements, additions or utility installations at the expiration or sooner termination of the term, and to restore the Premises to their prior condition and/or (ii) provide the Lessor, at the Lessee's sole cost and expenses, a lien and completion bond in an amount equal to one and one-half (1 1/2) times the estimated cost of such improvements, to insure the Lessor against any liability for mechanics' and materialmen's liens and to insure completion of work.

(b) All alterations, improvements and additions to the Premises shall be performed by the Lessor's contractor for the Project or other licensed contractor approved by the Lessor, which approval shall not be unreasonably withheld. The Lessee shall pay, when due, all claims for labor or materials furnished to or for the Lessee at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein, and the Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law.

6.4. Surrender. On the last day of the term hereof, or on any sooner termination, the Lessee shall surrender to the Lessor the Premises and, subject to the provisions of Paragraph 6.3(a) hereof, all alterations, additions and improvements thereto, in the same condition as when

received or made, ordinary wear and tear excepted; provided, however, that the Lessee's machinery, equipment and trade fixtures (including utility installations) which may be removed without irreparable or material damage to

the Premises, shall remain the property of the Lessee and be removed by the Lessee. The Lessee shall repair any damage to the Premises occasioned by the removal of the Lessee's furnishings, machinery, equipment and trade fixtures, which repair shall include the patching and filing of holes and repair of structural damage.

6.5. Lessor's Rights. If the Lessee fails to perform the Lessee's obligations under this Article 6, the Lessor may, at its option (but shall not be required to), and with a five (5) day written notice to the Lessee, perform such obligations on behalf of the Lessee, and the cost thereof, together with interest thereon at the rate specified in Paragraph 12.2(a) hereof, shall immediately become due and payable as additional rent to the Lessor.

7. INSURANCE

The Lessee, at its sole cost and expense, shall, commencing on the date the Lessee is given access to the Premises for any purpose, and during the entire term hereof, procure, pay for and keep in full force and effect:

7.1. Lessee's Liability Insurance. Comprehensive general liability insurance with respect to the Premises and the operations of or on behalf of the Lessee in, on or about the Premises, including, but not limited to, personal injury, product liability (if applicable), blanket contractual, owner's protective, broad form property damage liability coverage, host liquor liability and owned and non-owned automobile liability in an amount not less than TWO MILLION DOLLARS ($2,000,000) Combined Single Limit. Such policy shall contain (i) severability of interest, (ii) cross liability, and (iii) an endorsement stating in substance that "such insurance as is afforded by this policy for the benefit of the Lessor shall be primary as respects any liability or claims arising out of the occupancy of the Premises by the Lessee, or out of the Lessee's operations, and any insurance carried by the Lessor shall be excess and non-contributory."

7.2. Lessee's Worker's Compensation Insurance. Worker's Compensation coverage as required by law, together with Employer Liability coverage.

7.3. Lessee's Fire and Extended Coverage Insurance. Insurance against fire, vandalism, malicious mischief and such other additional perils as now are or hereafter may be included in a standard "All Risks" coverage, insuring all improvements and betterments made to the Premises, the Lessee's trade fixtures, furnishings, equipment, stock, loss of income or extra expense, and other items of personal property in an amount not less than 100% of replacement value. Such

insurance shall contain (i) no coinsurance or contribution clauses, (ii) a Replacement Cost Endorsement, and (iii) deductible amounts acceptable to the Lessor.

7.4. Policy Requirements. All policies of insurance required to be carried by the Lessee pursuant to these requirements shall be written by responsible insurance companies authorized to do business in the State of California. Any such insurance required by the Lessee hereunder may be furnished by the Lessee under any blanket policy carried by it or under a separate policy therefor. A true and exact copy of each paid up policy evidencing such insurance or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required and containing the provisions specified herein, shall be delivered to the Lessor prior to the date the Lessee is given the right to possession of the Premises, and upon renewals, not less than thirty (30) days prior to the expiration of such coverage. The Lessor may, at any time, and from time to time, inspect and/or copy any and all insurance policies required hereunder. In no event shall the then limits of any policy be considered as limiting the liability of the Lessee under this Lease.

Each policy evidencing insurance required to be carried by the Lessee pursuant to these requirements shall contain, in form and substance satisfactory to the Lessor: (i) a provision including the Lessor and any other parties in interest designated by the Lessor as an additional insured; (ii) a waiver by the Lessee's insurer of any right to subrogation against the Lessor, its agents, employees and representatives which arise or might arise by reason of any payment under such policy or by reason of any act or omission of the Lessor, its agents, employees or representatives, and (iii) a provision that the insurer will not cancel or materially change the coverage provided by such policy without first giving the Lessor thirty (30) days' prior written notice.

7.5. Lessor's Rights. If the Lessee fails to procure, maintain and/or pay for at the times and for the durations specified in this Lease, the insurance required hereunder, or fails to carry insurance required by any governmental requirement, the Lessor may (but without obligation to do so), and with twenty-four (24) hours advance notice to the Lessee, perform such obligations on behalf of the Lessee, and the cost thereof, together with interest thereon at the rate specified in Paragraph 12.2(a) hereof, shall immediately become due and payable as additional rent to the Lessor.

7.6. Lessor's Insurance. The Lessor shall maintain during the term of this Lease such insurance against physical damage to the Building, comprehensive liability insurance and other insurance as the Lessor may, from time to time, determine. The Lessor will determine the limits of coverage, deductibles and specific perils insured against. The Lessor may, but shall not be obliged to, take out and carry any other form or forms of insurance as it or the mortgagees of the Lessor may reasonably determine advisable. Notwithstanding any contributions by the Lessee to the cost of insurance premiums, with respect to the Building or any alterations of the Premises as may be

provided herein, the Lessee acknowledges that it has no right to receive any proceeds from any such insurance policies carried by the Lessor.

7.7. Indemnification. To the fullest extent permitted by law, the Lessee shall defend, indemnify and hold harmless the Lessor from and against any and all claims arising from the Lessee's use of the Premises or the conduct of its business or from any activity, work or thing done, permitted or suffered by the Lessee, its agents, contractors, employees or invitees in or about the Premises or elsewhere, and shall further indemnify and hold harmless the Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on the Lessee's part to be performed hereunder, or arising from any act, neglect, fault or omission of the Lessee, or of its agents, employees, or invitees, and from and against all costs, attorney's fees, expenses and liabilities incurred in or about such claim or any action or proceeding brought thereon. In case any action or proceeding be brought against the Lessor by reason of any such claim, the Lessee, upon notice from the Lessor, shall defend the same at the Lessee's expense by counsel approved in writing by the Lessor. The Lessee, as a material part of the consideration to the Lessor hereunder, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever, except that which is caused by the failure of the Lessor to observe any of the terms and conditions of this Lease and such failure has persisted for an unreasonable period of time after written notice of such failure, and the Lessee hereby waives all of its claims in respect thereof against the Lessor.

7.8. Exemption of Lessor from Liability. The Lessor shall not be liable for injury to the Lessee's business or any loss of income therefrom or for damage to the property of the Lessee, the Lessee's employees, invitees, customers or any other person in or about the Premises, nor shall the Lessor be liable for injury to the person of the Lessee, the Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from fire, explosion, falling plaster, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether such damage or injury results form conditions arising upon the Premises or upon other portions of the Building, or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible. The Lessor shall not be liable for incorporeal hereditaments including interference or obstruction of light, air or view. The Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of the Building or the other portions of the Project.

8. DAMAGE OR DESTRUCTION

8.1. Partial Damage. If the Premises, or so much of the Building as to cause the Premises to be uninhabitable, are damaged by any casualty, and the damage (exclusive of any

property or improvements installed by the Lessee in the Premises) can be

repaired within ninety (90) days without the payment of overtime, the Lessor shall, at the Lessor's expense, repair such damage (exclusive of any property of the Lessee or improvements installed by the Lessee in the Premises) as soon as practicable and this Lease shall continue in full force and effect. If the Premises, or so much of the Building as to cause the Premises to be uninhabitable, are damaged by any casualty, and the damage (exclusive of any property of the Lessee or improvements installed by the Lessee in the Premises) cannot be repaired within ninety (90) days without the payment of overtime or other premiums, the Lessor may, at the Lessor's option, either (i) repair such damage as soon as practicable at the Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessor within thirty (30) days after the date of the occurrence of such damage of the Lessor's intention to terminate this Lease, in which event this Lease shall terminate as of the date of the occurrence of such damage.

8.2. Damage Near End of Term. If the Premises, or so much of the Building as to cause the Premises to be uninhabitable, are damaged during the last six (6) months of the term of this Lease, or any renewal thereof, the Lessor may, at the Lessor's option, terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of the Lessor's election to do so within thirty (30) days after the date of occurrence of such damage; provided, however, that if the term of this Lease has been extended for any reason whatsoever, the Lessor's right to terminate this Lease shall only apply during the last six (6) months of the then current term of this Lease.

8.3. Abatement of Rent; Lessee's Remedies.

(a) If the Lessor is obligated or elects to repair the Premises as provided above, the rent payable for the period during which such repair continues shall be abated, in proportion to the degree to which the Lessee's use of the Premises is impaired; provided, however, that the aggregate period of abatement hereunder shall not exceed six (6) months. Except for such abatement, if any, the Lessee shall have no claim against the Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If the Lessor is obligated or elects to repair the Premises as provided above, but does not commence such repair within ninety (90) days after such obligation shall occur, subject to any extension or up to another sixty (60) days for delays beyond the reasonable control of the Lessor, the Lessee may, at the Lessee's option, terminate this Lease by giving the Lessor written notice of the Lessee's election to do so at any time prior to the commencement of such repair or restoration, in which event this Lease shall terminate as of the date of such destruction.

8.4. Insurance Proceeds Upon Termination. If this Lease is terminated pursuant to any right given the Lessee or the Lessor to do so under this Article 8, all insurance proceeds

payable under Section 7.6 with respect to the damage giving rise to such right of termination shall be paid to the Lessor and any encumbrances of the Premises, as their interests may appear.

8.5. Restoration. The Lessor's obligation to restore shall not include the restoration or replacement of the Lessee's furnishings, machinery, equipment, trade fixtures or other personal property or any improvements or alterations made by the Lessee to the Premises.

9. PERSONAL PROPERTY TAXES

The Lessee shall pay prior to delinquency all Real Property Taxes and other taxes assessed against, levied upon or attributable to its furnishings, machinery, equipment, trade fixtures or other personal property contained in the Premises or elsewhere and, if required, all improvements to the Premises in excess of the Lessor's "building standard" improvements, provided, however, that nothing contained herein shall require the Lessor to insure the accuracy of any segregation of the same for purposes of Section 3.4(b) hereof. When practicable, the Lessee shall cause said furnishings, machinery, equipment, trade fixtures and all other personal property to be assessed and billed separately from the real property of the Lessor.

10. UTILITIES

The Lessee shall pay for all water, gas, heat, light, power, janitorial services and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or charged to the Lessee, the Lessee shall pay a pro rata proportion, as part of operating expenses, based on leasable area, of all charges jointly metered or charged with other premises. The Lessor shall not be liable in damages or otherwise unless due to the Lessor's gross negligence for any failure or interruption of any utility services being furnished to the building and no such failure or interruption shall entitle the Lessee to terminate this Lease. In no event shall the Lessor be liable for any such failure or interruption caused by the exercise of governmental authority, strikes, riots, acts of God, war, adverse weather conditions, fire, flood or casualties or acts of third parties beyond the Lessor's control. The operation and control of utilities, air conditioning and any other energy system is subject to compliance with any government authority governing the regulation and use of energy systems within the commercial office or industrial building structure. The Lessee shall not subject any of the mechanical, electrical, plumbing, sewer or other utility or service systems or equipment to exercise or use which causes damage to said systems or equipment. Any such damages to equipment caused by the Lessee overloading such equipment shall be rectified by the Lessee, or may, at the Lessor's option, be rectified by the Lessor, at the Lessee's sole cost and expense.

11. ASSIGNMENT AND SUBLETTING

11.1. The Lessee shall not voluntarily or by operation of law sublet, assign, transfer, mortgage or otherwise encumber, or grant concessions, licenses or franchises with respect to all or any part of the Lessee's interest in this Lease or the Premises without the prior written consent of the Lessor, which shall not be unreasonably withheld. If the Lessee desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify the Lessor of its desire to do so and shall submit in writing to the Lessor (i) the name of the proposed sublessee or assignee; (ii) the nature of the proposed sublessee or assignee; (iii) the nature of the proposed sublessee's or assignee's business to be carried on in the Premises; (iv) the terms and provisions of the proposed sublease or assignment; (v) such reasonable financial information as the Lessor may request concerning the proposed sublessee or assignee, including, but not limited to, a balance sheet as of a date within ninety (90) days of the request for the Lessor's consent, statements of income or profit and loss for the two (2) year period preceding the request for the Lessor's consent, and a written statement in reasonable details as to the business experience of the proposed sublessee or assignee during the five (5) years preceding the request for the Lessor's consent; and (vi) the name and address of sublessee's or assignee's present or previous landlord. The Lessor may, as a condition to granting such consent, require that the obligations of any assignee which is a subsidiary or affiliate of another corporation be guaranteed by the parent or controlling corporation. Any sublease, license, concession, franchise or other permission to use the Premises shall be expressly subject and subordinate to all applicable terms and conditions of this Lease. Any purported or attempted assignment, transfer, mortgage, encumbrance, subletting, license, concession, franchise or other permission to use the Premises contrary to the provisions of this paragraph shall be void and, at the option of the Lessor, shall terminate this Lease.

11.2. If the Lessee is a corporation, any transfer of its stock, or any dissolution, merger or consolidation which results in a change in the control of the Lessee from the person or persons owning a majority of its voting stock immediately prior thereto, or the sale or other transfer of all or substantially all of the assets of the Lessee shall constitute an assignment of the Lessee's interest in this Lease within the meaning of this Article 11 and the provisions requiring consent contained herein. The Lessor may require, as a condition to giving such consent, that the new controlling person(s) execute a guaranty of this Lease. If the Lessee is a corporation which, under then current guidelines published by the California Commissioner of Corporations, is not deemed to be a public corporation, the transfer, assignment or hypothecation of any interest in such corporation in the aggregate in excess of twenty-five percent (25%) (other than a transfer occurring by operation of law upon the death of the holder of such interest) shall be deemed an assignment within the provisions of this Article.

11.3. No subletting, assignment, license, concession, franchise or other permission to use the Premises shall relieve the Lessee of its obligations to pay the rent or to perform all of the other obligations to be performed by the Lessee hereunder. The acceptance of rent by the Lessor from any other person shall not be deemed to be a waiver by the Lessor of any provisions of this Lease.

11.4. At any time within ten (10) days after the Lessor's receipt of the information specified in Section 11.1 above, the Lessor may by written notice to the Lessee elect (a) to sublease the Premises or the portion thereof so proposed to be subleased by the Lessee, or to take an assignment of the Lessee's leasehold estate hereunder, upon the same terms as those offered to the proposed sublessee or assignee, as the case may be; or (b) to terminate this Lease as to the portion (including all) of the Premises so proposed to be subleased or assigned, with a proportionate abatement in the rent payable hereunder; or (c) disapprove such assignment or subletting. If the Lessor does not act within the ten (10) days, such failure to act is deemed a disapproval of such request for assignment or subletting.

11.5. Each assignee or transferee, other than the Lessor, shall assume all obligations of the Lessee under this Lease and shall be and remain liable jointly and severally with the Lessee for the payment of the rent, and for the due performance of all the terms, covenants, conditions and agreements to be performed by the Lessee hereunder; provided, however, that a transferee other than an assignee shall be liable to the Lessor for rent only in the amount set forth in the assignment or transfer. No assignment shall be binding on the Lessor unless such assignee or Lessee shall deliver to the Lessor a counterpart of such assignment and an instrument in recordable form which contains a covenant of assumption by such assignee satisfactory in substance and form to the Lessor, consistent with the requirements of this Section 11.5, but the failure or refusal of such assignee to execute such instrument of assumption shall not release or discharge such assignee from its liability as set forth above.

11.6. Consent by the Lessor to any subletting or assignment shall be conditioned upon payment by the Lessee to the Lessor of one-half of any "Transfer Consideration" (as hereafter defined) received or to be received, directly or indirectly, by the Lessee on account of such assignment or subletting. Transfer Consideration shall be paid to the Lessor at the same time or times as the same is due to the Lessee. Failure to pay the Lessor the Transfer Consideration, or any portion or installment thereof, shall be deemed a default under this Lease, entitling the Lessor to exercise all remedies available to it under law including, but not limited to, those specified in Article 12 of this Lease. "Transfer Consideration" shall mean a) in the case of a subletting, any consideration paid or given, directly or indirectly, by the sublessee to the Lessee pursuant to the sublease for the use of the Premises, or any portion thereof, over and above the rent and any additional rent, however

denominated, in this Lease, payable by the Lessee to the Lessor for the use of the Premises (or portion thereof), prorating as appropriate the amount payable by the Lessee to the Lessor under this Lease, if less than all of the Premises is sublet, and (b) in the case of an assignment or a sublease, any consideration paid or given, directly or indirectly, by the sublessee or assignee to the Lessee in exchange for entering into the sublease or assignment, but shall not include reimbursement for any security deposit, reimbursement of any improvements, fixtures or furnishings installed in the Premises by the Lessee or any payment for personal property of the Lessee not in excess of the Lessee's book value thereof. As used herein, consideration shall include consideration

in any form, including, but not limited to, money, property, assumption of liabilities other than those arising under this Lease, discounts, services, credits or any other item or thing of value. Irrespective of the form of such consideration, the Lessor shall be entitled to be paid in cash in an amount equivalent to the aggregate of the cash portion of the Transfer Consideration and the value of any non-cash portion of the Transfer Consideration. If any Transfer Consideration is to be paid or given in installments, the Lessee shall pay each such installment at the time the same is to be paid or given.

11.7. The Lessee shall reimburse the Lessor for the Lessor's reasonable costs and attorneys' fees incurred in conjunction with the processing and documentation of any assignment, subletting, transfer, change of ownership or hypothecation of this Lease or the Lessee's interest in the Premises.

12. DEFAULTS; REMEDIES

12.1. Default by Lessee. The occurrence of any one or more of the following events shall constitute a default of this Lease by the Lessee:

(a) The vacating or abandonment of the Premises by the Lessee combined with the failure to pay rent;

(b) The failure of the Lessee to make any payment of rent or any other payment required to be made by the Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from the Lessor to the Lessee; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161;

(c) The failure by the Lessee to observe or perform any of the covenants, conditions or provisions of this Lease (or the covenants, conditions and restrictions governing the Project) to be observed or performed by the Lessee, other than described in Paragraph 12.1(b) hereof, where such failure shall continue for a period of thirty (30) days after written notice thereof from the Lessor to the Lessee; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of

Civil Procedure Section 1161; provided, further, that if the nature of the Lessee's default is such that more than thirty (30) days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion; or

(d) The making by the Lessee of any general assignment or general arrangement for the benefit of creditors; the filing by or against the Lessee of a petition to have the Lessee adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against the Lessee, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of the Lessee's assets located at the Premises, or of the Lessee's interest in this Lease, where possession is not restored to the Lessee within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of the Lessee's assets located at the Premises or of the Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days.

12.2. Remedies for Default by Lessee. In the event of any such default, the Lessor may at any time thereafter, upon notice and demand and without limiting the Lessor in the exercise of any other right or remedy which the Lessor may have by reason of such default or breach:

(a) Terminate the Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and the Lessee shall immediately surrender possession of the Premises to the Lessor. In such event, the Lessor shall be entitled to recover from the Lessee:

(1) The worth at the time of award of the unpaid rent which has been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and

(4) Any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to: the cost of recovering possession of the Premises, expenses of releasing including necessary renovation and alteration of the Premises, reasonable attorneys' fees and any

other reasonable cost. The "worth at the time of award" of the amounts referred to in subparagraphs (1) and (2) above shall be computed by allowing interest at five (5) percentage points above the discount

rate of the Federal Reserve Bank of San Francisco at the time of the award. The "worth at the time of award" of the amount referred to in subparagraph (3) above shall be computed by discounting such amount at one (1) percentage point above such discount rate.

(b) Suspend or discontinue the services specified in Article 10 above, or any thereof, during the continuance of any such default and any such suspension or discontinuance shall not be deemed or construed to be an eviction or ejection of the Lessee.

(c) Require the Lessee to make payment of all rental obligations in cash or by certified cashier's check.

(d) Pursue any other remedy now or hereafter available to the Lessor under the laws or judicial decisions of the Sate of California, including, but not limited to, the remedy provided in California Civil Code Section 1951.4 to continue this Lease in effect.

(e) The Lessor, in addition to the rights hereinbefore given in the case of the Lessee's breach or default, may pursue any other remedy available to the Lessor at law or in equity.

(f) The Lessor shall have, and the Lessee hereby grants to the Lessor, a present security interest in the furniture, fixtures, equipment, improvements and other personal property of the Lessee presently, or which may hereinafter be located on the leased Premises, and all proceeds therefrom in accordance with the Uniform Commercial Code of the State of California. The security interest granted by the Lessee to the Lessor hereunder shall secure the full and prompt performance and observance by the Lessee of all of the Lessee's obligations under this Lease, and the Lessee will execute any financing statement required by the Lessor, or any other document necessary to perfect such security interest, and should the Lessee fail to do so, the Lessee authorizes the Lessor to execute such financing statements or other documents to perfect such security interest.

12.3. Default by Lessor. The Lessor shall not be in default of any of the obligations of the Lessor under the Lease, unless the Lessor fails to perform such obligations within a reasonable time, but in no event less than thirty (30) days after written notice by the Lessee to the Lessor specifying wherein the Lessor has failed to perform such obligations; provided, however, that if the nature of the Lessor's default is such that more than thirty (30) days are required for its cure, the Lessor shall not be in default if the Lessor commences such cure within such thirty (30) day period and thereafter diligently prosecutes the same to completion. In the event of any such default by the

Lessor, the Lessee may pursue any remedy now or hereafter available to the Lessee under the laws of judicial decisions of the State of California, except that the Lessee shall not have the right to terminate this Lease except as expressly provided herein nor to set off against any payments due under this Lease. The Lessee waives any right to deduct the expenses of repairs done by the Lessor on the Lessor's behalf from the rent and waives, except as herein provided, any of the Lessor's obligations for tenantability of the Building or the Premises.

12.4. Late Charges. The Lessee acknowledges that the late payment by the Lessee to the Lessor of rent and other sums due hereunder will cause the Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on the Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from the Lessee shall not be received by the Lessor, or the Lessor's designee, within ten (10) days after the same is due, the Lessee shall pay to the Lessor a late charge equal to five percent (5%) of such overdue amount, monthly, until such overdue amount is paid. The Lessee acknowledges that such late charge represents a fair and reasonable estimate of the cost that the Lessor will incur by reason of a late payment by the Lessee. Acceptance of such late charge by the Lessor shall in no event constitute a waiver of the Lessee's default with respect to such overdue amounts nor prevent the Lessor from exercising any of the other rights and remedies granted hereunder.

13. CONDEMNATION OR RESTRICTION ON USE

13.1. Eminent Domain. If the whole of the Premises, or so much thereof as to render the balance unusable by the Lessee, shall be taken under power of eminent domain, this Lease shall automatically terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. No award for any partial or entire taking shall be apportioned, and the Lessee hereby assigns to the Lessor any award which may be made in such taking or condemnation, together with any and all rights of the Lessee now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give the Lessor any interest in or to require the Lessee to assign to the Lessor any award made to the Lessee for its relocation expenses, the taking of personal property and fixtures belonging to the Lessee, the interruption of or damage to the Lessee's business and/or for the Lessee's unamortized cost of leasehold improvements. The unamortized portion of the Lessee's expenditures for improving the Premises shall be determined by multiplying such expenditures by a fraction, the numerator of which shall be the number of years of the term of this Lease which shall not have expired at the time of such appropriation or taking and the denominator of which shall be the number of years of the term of this Lease which shall not have expired at the time of improving the Premises.

In no event shall options to renew or extend be taken into consideration in determining the payment to be made to the Lessee. The Lessee's right to receive compensation or damages for its fixtures and personal property shall not be affected in any manner thereby.

13.2. Abatement of Rent. In the event of a partial taking which does not result in a termination of this Lease, rent shall be abated in proportion to that part of the Premises so made unusable by the Lessee.

13.3. Temporary Taking. No temporary taking of the Premises and/or of the Lessee's rights therein or under this Lease shall terminate this Lease or give the Lessee any right to any abatement of rent hereunder; and any award made to the Lessee by reason of any such temporary taking shall belong entirely to the Lessee and the Lessor shall not be entitled to share therein.

13.4. Voluntary Sale as Taking. A voluntary sale by the Lessor to any public body or agency having the power of eminent domain, either under threat of condemnation while condemnation proceedings are pending, shall be deemed to be a taking under the power of eminent domain for the purpose of this Article 13.

14. BROKERS

The Lessor acknowledges its obligation to pay a single commission to the broker(s) specified in item 9 of the Basic Lease Provisions, if any. The Lessee represents and warrants that it has neither incurred nor is aware of any other broker's, finder's, or similar fee in connection with the origin, negotiation, execution or performance of this Lease and agrees to indemnify and hold harmless the Lessor from any loss, liability, damage, cost or expense incurred by reason of a breach of this representation.

15. LESSOR'S LIABILITY

The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title or a Lessee's interest in a ground lease of the Building. In the event of any transfer of such title or interest, the Lessor herein named (and in case of any subsequent transfers, the then grantor) shall be relieved from, and after the date of such transfers of all liability for the Lessor's obligations thereafter to be performed; provided, however, that any funds in the hands of the Lessor or the then grantor at the time of such transfer in which the Lessee has an interest shall be delivered to the grantee. The obligations contained in this Lease to be performed by the Lessor shall, subject as aforesaid, be binding on the Lessor's successors and assigns only during their respective periods of ownership.

16. PARKING

During the term of this Lease, the Lessee shall have the right in common with other tenants of the Building (if any) and any adjacent buildings, to use the parking area available to tenants of the Building. The Lessee's use of such parking facilities or that of its invitees shall be limited to a maximum of the number of parking spaces shown in item 10 of the Basic Lease Provisions (but such space will not be separately identified and the Lessor shall have no obligation to monitor the use of such parking facility), and shall be subject to such rules and regulations as may be established, from time to time, by the Lessor for the effective use of such parking facilities. Such rules and regulations may include, but shall not be limited to, designation of specific areas for use by invitees of the Lessee and the Lessor; hours during which parking shall be available for use; parking attendants; a parking validation or other control system to prevent parking abuse; and such other matters affecting the parking operation to the end that said facilities shall be utilized to maximum efficiency and in the best interest of the Lessor, the Lessee and their respective invitees. The Lessor may temporarily close any part of the Common Area for such periods of time as may be necessary to prevent the public from obtaining prescriptive rights or to make repair or alterations.

The Lessor shall not have any express or implied obligation to enforce or police the parking lot usage. The Lessee's right to use any area for parking purposes shall be subject to restrictions or other limitations resulting from any laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and no such event shall in any way affect this Lease, abate rent, relieve the Lessee of any liabilities or obligations under this Lease, or give rise to any claim whatsoever against the Lessor; specifically, the Lessee's right to use any area for parking purposes shall be subject to any preferential parking program for participants in any ridesharing program established by the Lessor. If the Lessor reasonably determines that the Lessee is regularly using in excess of the number of parking spaces specified in item 10 of the Basic Lease Provisions, the Lessor may, in addition to any other remedy, impose a reasonable charge for such excess usage, payable by the Lessee upon demand.

17. GENERAL PROVISIONS

17.1. Estoppel Certificate

(a) The Lessee shall at any time, and from time to time, upon not less than ten (10) days' prior written notice from the Lessor, execute, acknowledge and deliver to the Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are no, to the

Lessee's knowledge, uncured defaults on the part of the Lessor hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) The Lessee's failure to deliver such statement within such time shall be conclusive upon the Lessee that (i) this Lease is in full force and effect without modification except as may be represented by the Lessor, (ii) there are no uncured defaults in the Lessor's performance, and (iii) not more than one (1) month's rent has been paid in advance.

(c) If the Lessor desires to finance or refinance the Premises, or any part thereof, the Lessee shall deliver to any lender designated by the Lessor such financial statements of the Lessee as may be reasonably required by such lender. All such financial statements shall be received by the Lessor in confidence and shall be used only for the purposes herein set forth.

17.2. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

17.3. Time of Essence. Time is of the essence in the performance of all terms and conditions of this Lease in which time is an element.

17.4. Captions. Article and paragraph captions have been inserted solely as a matter of convenience and such captions in no way define or limit the scope or intent of any provision of this Lease.

17.5. Notices. Any notice required or permitted to be given hereunder shall be in writing and may be served personally or by regular mail, addressed to the Lessor and the Lessee respectively at the addresses set forth before their signatures in item 11 of the Basic Lease Provisions, or to such other or additional persons or at such other addresses as may, from time to time, be designated in writing by the Lessor or the Lessee by notice pursuant hereto.

17.6. Waivers. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof. Consent to or approval of any act by one of the parties hereto shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act. The acceptance of rent hereunder by the Lessor shall not be a waiver of any preceding breach by the Lessee of any provision hereof, other than the failure of the Lessee to pay the particular rent so accepted, regardless of the Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

17.7. Holding Over. If the Lessee holds over after the expiration or earlier termination of the term hereof without the express written consent of the Lessor, the Lessee shall become a tenant at sufferance only at one hundred fifty percent (150%) of the monthly rent for the Premises then in effect for the space, in effect upon the date of such expiration or earlier termination (subject to adjustment as provided in Article 3 hereof and prorated on a daily basis), and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by the Lessor of rent after such expiration or earlier termination shall not constitute a consent to a holdover hereunder or result in a renewal. The foregoing provisions of this paragraph are in addition to and do not affect the Lessor's right of re-entry or any other rights of the Lessor hereunder or as otherwise provided by law.

17.8. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

17.9. Inurement. Subject to any provisions hereof restricting assignment or subletting by the Lessee and subject to the provisions of Article 15 hereof, the terms and conditions contained in this Lease shall bind the parties, their personal representatives, successors and assigns.

17.10. Choice of Law. This Lease shall be governed by the laws of the State of California.

17.11. Subordination. This Lease shall, at the Lessor's option, be either superior or subordinate to mortgages or deeds of trust on the Premises, whether now existing or hereinafter created. The Lessee shall, upon written demand by the Lessor, execute such instruments as may be required, from time to time, to subordinate the rights and interest of the Lessee under this Lease to the lien of any mortgage or deed of trust on the Building. Notwithstanding any such subordination, so long as the Lessee is not in default hereunder, this Lease shall not be terminated or the Lessee's quiet enjoyment of the Premises disturbed in the event such mortgage or deed of trust is foreclosed. In the event of such foreclosure, the Lessee shall thereupon become a Lessee of, and attorn to, the successor in interest to the Lessor on the same terms and conditions as are contained in this Lease.

17.12. Attorneys' Fees. If any action at law or equity, including an action for declaratory relief, is brought to enforce the provisions of this Lease, the prevailing party shall be entitled to recover actual attorneys' fees incurred in bringing such action and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of the action and shall be paid whether or not such action is prosecuted to judgment. The attorneys' fees to be awarded the prevailing party may be determined by the court in the same action or in a separate action brought for that purpose. Any

judgment or order entered in such action shall contain a specific provision providing for the recovery of actual attorneys' fees and costs incurred in enforcing such judgment. The award of attorneys' fees shall not be computed in accordance with any court schedule, but shall be made so as to fully reimburse the prevailing party for all attorneys' fees, paralegal fees, costs and expenses actually incurred in good faith, regardless of the size of the judgment, it being the intention of the parties to fully compensate the prevailing party for all attorneys' fees, paralegal fees, costs and expenses paid or incurred in good faith. For purposes of this section, attorneys' fees shall include, without limitation, attorneys' fees, paralegal fees, costs and expenses incurred in relation to any of the following: post-judgment motions; contempt proceedings, garnishment, levy and debtor or third party examinations; discovery; and bankruptcy litigation.

17.13. Lessor's Access. The Lessor and the Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lessees, or lenders, and making such alterations, repairs, improvements or additions to the Premises or to the Building as the Lessor may deem necessary or desirable. The Lessor may at any time place on or about the Building any ordinary "For Sale" signs and the Lessor may, at any time during the last one hundred eighty (180) days of the term hereof (or during any period in which the Lessee is in default under this Lease), place on or about the Building any ordinary "For Sale", "For Lease" or similar signs, all without rebate of rent or liability to the Lessee.

17.14. Corporate Authority. If the Lessee is a corporation, the Lessee shall, at the Lessor's request, require that each individual executing this Lease on behalf of said corporation represent and warrant that he is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the Bylaws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. The Lessee shall also, at the Lessor's request, within thirty (30) days after execution of this Lease, deliver to the Lessor a certified copy of a resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

17.15. Surrender or Cancellation. The voluntary or other surrender of this Lease by the Lessee, or a mutual cancellation thereof, shall not work a merger, and shall terminate all or any existing subleases, unless the Lessor elects to treat such surrender or cancellation as an assignment to the Lessor of any or all of such subleases.

17.16. Entire Agreement. This Lease, the exhibits hereto which by this reference are incorporated herein as though set forth in full herein,

covers in full each and every agreement of every kind or nature whatsoever between the parties hereto concerning the Premises and the Building, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. The Lessor has made no representations or promises whatsoever with respect to the Premises or the Building, or the design configuration of the Project, except those contained herein, and no other person, form or corporation has at any time had any authority from the Lessor to make nay representations or promises on behalf of the Lessor. If any such representations or promises have been made by others, the Lessee hereby waives all right to rely thereon. No verbal agreement or implied covenant shall be held to vary the provisions hereof, any statute, law or custom to the contrary notwithstanding.

Except as otherwise provided herein, nothing expressed or implied herein is intended or shall be construed to confer upon or grant any person any rights or remedies under or by reason of any term or condition contained in this Lease.

17.17. Signs. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed or affixed to or near any part of the outside or inside of the Building without the written consent of the Lessor first had and obtained and without full compliance with all governmental requirements and with the Project Signage Plan and any other required consents. The Lessor shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of the Lessee. All approved signs shall be installed at the Lessee's sole cost and expense. The Lessee further agrees to maintain any such approved signs, as may be approved by the Lessor, in good condition and repair at all times. The Lessee shall not

place any sign on a vehicle or movable or non-movable object in or on the street adjacent to the Project.

17.18. Interest on Past Due Obligations. Any amount due from the Lessee to the Lessor hereunder which is not paid when due shall bear interest at five (5) percentage points above the discount rate of the Federal Reserve Bank of San Francisco at the time of the award or the maximum allowable under the law, whichever is greater, from the date due until paid, but the payment of such interest shall not excuse or cure any default by the Lessee.

17.19. Gender; Number. Whenever the context of this Lease requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural.

17.20. Recording of Lease. The Lessee shall not record this Lease without the express written consent of the Lessor. If such permission is granted, at the expiration or sooner termination of this Lease, the Lessee shall execute, acknowledge and deliver to the Lessor, within ten (10) days after written demand from the Lessor, any quitclaim deed or other document reasonably required by any reputable title company to remove the cloud of this Lease from the title of the real property subject to the Lease.

17.21. Waiver of Subrogation. The Lessor and the Lessee each hereby waive any and all rights of recovery against the other, or against the officers, employees and agents and representatives of the other, for loss of or any damage to such waiving party or its property, or the property of others under its control, to the extent that such loss or damage is insured against under any valid and collectible insurance policy in force at the time of such loss or damages. The Lessee shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

17.22. Confidentiality of Lease. The Lessee acknowledges and agrees that the terms of this Lease are confidential and constitute proprietary information of the Lessor. Disclosure of the terms hereof could adversely affect the ability of the Lessor to negotiate other leases with respect to the Building and impair the Lessor's relationship with other tenants of the Building. The Lessee agrees that it, its partners, officers, directors, employees and attorneys, shall not disclose the terms and conditions of this Lease to any other person without the prior written consent of the Lessor. It is understood and agreed that damages would be an inadequate remedy for the breach of this provision by the Lessee, and the Lessor shall have the right to specific performance of this provision and to injunctive relief to prevent its breach or continued breach.

17.23. Quiet Enjoyment. Provided the Lessee has performed all of the terms, covenants, agreements and conditions of this Lease, including the payment for rent and all other sums due hereunder, the Lessee shall peaceably and quietly hold and enjoy the Premises for the term hereof, but subject to the provisions and conditions of this Lease against the Lessor and all persons claiming by, through or under the Lessor. The Lessee's right to use the Premises and the Common Area as herein provided shall be subject to restrictions or other limitations or prohibitions resulting from any laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and no such event shall in any way affect this Lease, abate rent, relieve the Lessee of any liabilities or obligations under this Lease or give rise to any claim whatsoever against the Lessor.

17.24. Window Coverage. The Lessor shall select a standard mini-blind

type and color for all windows to be covered by the Lessee. No window covering, including, but not limited to, coatings or draperies, shall be used by the Lessor without the Lessor's written approval.

17.25. Materials Storage Restrictions. The Lessee agrees to conduct its business so as not to violate or exceed the design standards of the fire protection system or any insurance policies maintained by the Lessor pursuant to Article 7.

17.26. No Agency. Neither party is the agent or partner of the other, and the legal relationship between the parties hereto shall be governed solely by the terms of this Lease when duly executed by both parties with respect to the transactions contemplated hereby.

17.27. Force Majeure. Notwithstanding any of the items set forth above, the Lessor shall bear no liability of whatever kind to the Lessee if, despite the Lessor's exercise of due diligence, the Lessor's carrying out of its obligations, as defined herein, prevented or delayed by legal action, nor by the exercise of governmental authority, whether Federal, State of County, or other or by force majeure, strikes, riots, acts of God, war, adverse weather conditions, fire, unavoidable casualties, or acts of third parties beyond the Lessor's control.

17.28. Accord and Satisfaction. No payment by the Lessee or receipt by the Lessor of a lesser amount than the rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and the Lessor may accept such check or payment without prejudice to the Lessor's right to recover the balance of such rent or pursue any other remedy provided in this Lease.

17.29. Financial Statements. The Lessee shall deliver to the Lessor, prior to the execution of this Lease, its financial statement, and the annual financial statements of the Lessee within ninety (90) days after the end of the Lessee's fiscal year, which shall be certified by the Lessee as true and correct. The Lessee shall also provide financial statements of any guarantor of this Lease, which shall be certified as true and correct by such guarantor. Such financial statements shall be based upon generally accepted accounting principles applied on a consistent basis. The financial statements shall clearly show sufficient information to accurately depict the financial condition of the Lessee as of the date thereof. Any misrepresentations in the Lessee's or the Guarantor's financial statements will be considered, at the Lessor's option, as a breach of a material provision of this Lease. If the Lessee is a partnership or joint venture, such financial statements shall, upon the Lessor's

request, be accompanied by similar financial statements of each general partner or joint venture of the Lessee. Such similar statements shall be certified to be true and correct by the subject thereof. Within five (5) days following written request by the Lessor delivered after any default by the Lessee in the payment of any sums owing under this Lease, whether or not any time period allowed for the cure of such default has expired, the Lessee shall provide the Lessor with copies of the Lessee's financial statement for the end of the most recent quarter of the Lessee's fiscal year, and the Lessee's financial statement (including year to date information) for the end of the month preceding such default. In each case, such financial statement shall meet all of the preceding requirements for annual financial statements. The Lessee's failure to deliver the financial statements contemplated hereby within the time specified shall constitute a material default by the Lessee under this Lease.

17.30. Supersedes Proposal to Lease. This Lease supersedes any proposals regarding the leasing of the Premises, whether written or oral, and any such proposals will be terminated, and of no force or effect, effective upon the execution of this Lease.

17.31. Intentionally Omitted.

17.32. Construction. The provisions of this Lease should be liberally construed to effectuate its purposes. The language of all parts of this Lease shall be construed simply according to its plain meaning and shall not be construed for or against either party, as each party has participated in the drafting of this Lease and had the opportunity to have their counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa.

17.33. Non-Disturbance Agreement. The parties shall execute, concurrently with the execution of this Lease, the Non-Disturbance and Attornment Agreement attached as Exhibit "D", which is incorporated by this reference. The Lessor shall obtain its lender's execution of said

agreement as soon as reasonably practical after execution by the parties, and furnish the Lessee with a fully executed copy.

18. CONSTRUCTION OF TENANT IMPROVEMENTS

18.1. Tenant Improvements. The Lessee shall have the right to design and select the tenant improvements for the Premises, subject to the review and

approval of the Lessor. All tenant improvements shall be constructed, supplied, and installed according to the standard specifications of the Lessor for tenant improvements which are described on Exhibit E, attached hereto, unless otherwise approved in writing by the Lessor, which approval may be given or withheld in the Lessor's reasonable discretion. The Lessee shall use POLIQUIN KELLOGG DESIGN GROUP (the "Architect") for the purpose of designing the tenant improvements and preparing plans and specifications for the construction thereof. Tenant improvements shall include all improvements serving or located within the Premises, including without limitation, framing of demising walls for the Premises, drywalling, taping and painting of the interior surfaces of such demising walls, interior drywall partitions and walls, flooring and carpeting, interior doors and glass, cabinets, built-in fixtures and furnishings, electrical or other utilities, a proportionate share (based on useable area) of the building's VAV-HVAC system, VAV-HVAC mixing boxes, distribution ducting, vents and outlets, surface mounted electrical and plumbing fixtures and electrical outlets, acoustical tile, drop ceilings and all other improvements made to the Premises (the "Tenant Improvements").

The Lessee shall, at its sole cost and expense, cause the space plan for the Premises showing the design, layout and location of the Tenant Improvements (the "Space Plan") to be prepared, prosecuted and delivered on the following schedule:

(a) Concurrently with the execution of this Lease, the Lessee shall deliver its final Space Plan to the Lessor.

(b) Within five (5) days following the Lessor's receipt of the final Space Plan, the Lessor shall review and approve the final Space Plan. Upon the Lessor's approval, the Lessor shall cause the Architect to prepare working drawings for the Tenant Improvements based upon the final Space Plan and, upon completion of such working drawings, shall submit the same to TRABUCCO COMMERCIAL CONSTRUCTION (the "Contractor") for a fixed lump sum bid. Upon receipt of the bid for the construction of the Tenant Improvements, the Lessor shall deliver the same to the Lessee. If the estimate exceeds the Tenant Improvement Allowance, as defined below, the Lessee shall, within five (5) days of its receipt of the bid, either (i) accept the working drawings or (ii) request the Architect to make changes to the working drawings to reduce the cost of the Tenant Improvements. Failure by Lessee to respond within five (5) days of its receipt of the bid shall constitute Lessee's approval and acceptance of the working drawings.

(c) If changes are made by the Lessee, the Lessee shall deliver revised working drawings to the Lessor within 5 days of the Lessee's receipt of the original bid. The Lessor shall then

submit the revised working drawings to the Contractor for rebid. The Lessor shall deliver the new bid to the Lessee upon its receipt thereof.

(d) In the event that the bid or rebid for the Tenant Improvements per the original working drawings, if the same are accepted by the Lessee, or any revised working drawings exceeds the Tenant Improvement Allowance, not later than fifteen (15) days prior to the date scheduled by the Lessor for the commencement of construction of the Tenant Improvements, the Lessee shall deposit into a Tenant Improvement escrow account cash equal to the entire difference between the estimated cost of the Tenant Improvements and the Tenant Improvement Allowance. Except as specifically provided below, the Lessee shall have no further right to modify or amend the working drawings.

No changes shall be made in the mutually-approved working drawings without the prior written consent of the Lessor and the Lessee. The Lessee shall have the right, following completion of the mutually-approved working drawings, to propose changes to the Tenant Improvements. Any proposed change shall be delivered in writing to the Lessor. The Lessor shall cause the Contractor to prepare a change order describing the increase or decrease in the cost of the Tenant Improvements which would result from the requested change, the additional time, if any, required to complete the requested change and any Tenant Delay Penalty (as defined in Section 18.6(b)) that will be imposed. The change order shall be delivered to the Lessee and the Lessee shall accept or reject the Change Order within five (5) days of delivery. The failure by the Lessee to sign the change order and return it to the Lessor within such time period shall be deemed a rejection of the proposed change reflected in the change order.

Any such changes or additions requested or caused by the Lessee that result in the aggregate cost of the Tenant Improvements exceeding the Tenant Improvement Allowance shall be made at the sole cost of the Lessee. The cost of complying with governmental requirements that relate to the Tenant Improvements shall also be paid out of the Tenant Improvement Allowance. Provided that the Lessor notifies the Lessee in writing of its belief that a delay has been caused by the Lessee shortly following the occurrence of the alleged delay, any delays caused by the Lessee or its agents which delay or postpone the substantial completion of the Tenant Improvements shall constitute a delay caused by the Lessee under Section 18.6 and shall result in the imposition of a Tenant Delay Penalty as defined in Section 18.6(b).

18.2. Construction of Tenant Improvements. The Tenant Improvements shall be constructed by the Lessor using the Contractor in accordance with the final working drawings. The construction contract will provide for 5% overhead and 4% profit on all construction performed under the contract. The Contractor shall obtain at least three subcontractor bids for each trade performing work on the Tenant Improvements for which the cost is estimated to be in excess of $10,000.00. The Lessee shall have the right to specify subcontractors from whom the Contractor will solicit bids. The Lessee and the Lessor shall jointly agree on the subcontractors to be engaged by the Contractor for the purpose of performing the Tenant Improvement work. The Lessee and the Lessor shall consider all factors relating to subcontractor bids for purpose of selecting appropriate

subcontractors, including without limitation expertise, availability, price, efficiencies and harmonization that would result from using the same subcontractor who worked on the Building shell and core.

The Lessor, at its expense, shall promptly correct all items not conforming with the plans and specifications of which the Lessor is notified by the Lessee in writing within thirty (30) days after the Lessee takes possession of the Premises.

The Lessor warrants that the Tenant Improvements are free from defects in materials and workmanship of which the Lessor is notified by the Lessee in writing within one (1) year after the date of substantial completion of the Tenant Improvements. The Lessor further warrants that the construction of the Tenant Improvements upon completion will comply with all applicable statutes, ordinances, rules, regulations, orders and requirements of governmental authorities in effect on the date of the issuance of the building permits therefor. The Lessor shall repair any such defects within thirty (30) days following notification of the same or, if the corrective work cannot be completed within such period, commence and diligently prosecute the work to completion.

18.3. Substantial Completion of Tenant Improvements. The Tenant Improvements shall be deemed to be substantially complete as of the date all of the following conditions are satisfied:

(a) The Tenant Improvements have been completed pursuant to the mutually approved working drawings (except for "punchlist" items that do not materially interfere with the Lessee's occupancy and the Lessee can reasonably conduct its business;

(b) All permits required for occupancy of the Premises by the Lessee have been issued;

(c) The Lessor has given the Lessee the notice described in Section 18.5 hereof; and

(d) The Lessee has been given access to the Premises following completion of subparagraphs (a) through (c) above.

18.4. Tenant Improvement Allowance. The Lessor agrees to provide to the Lessee a tenant improvement allowance of $33.00 per useable square foot of the Premises (the "Tenant Improvement Allowance"). The Tenant Improvement Allowance shall be applied to the Tenant Improvements and all fees, charges and expenses for architectural and engineering services, permits and governmental or quasi-governmental fees necessary or appropriate in connection with the Tenant Improvements (the "Tenant Improvement Expenses").

In the event that, during the course of constructing the Tenant Improvements, changes requested by the Lessee in the Tenant Improvements which have been the subject of an approved change order result in the Tenant Improvement Expenses exceeding the Tenant Improvement Allowance and any amounts previously deposited by the Lessee, the Lessor shall give written notice of the estimated shortfall to the Lessee and the Lessee shall deposit, within fifteen (15) days of execution of such a change order, the amount of the increase shown on the change order. The Lessor shall have no obligation to proceed with the construction of the items or modifications described in such change order until such deposit has been made. Any amount which is not paid by the Lessee within such fifteen (15) days shall bear interest at the highest rate allowed by law.

In the event that the amount deposited by the Lessee is greater than the amount of the actual shortfall, the difference shall be refunded to the Lessee by the Lessor upon the earlier of (i) completion of the Tenant Improvements, the payment of all retentions to subcontractors and contractors, the expiration of all lien periods, and the payment of all Tenant Improvement Expenses or (ii) sixty (60) days following substantial completion of the Tenant Improvements as described in Section 18.3.

18.5. Tenant's Work. The Lessor shall give the Lessee at least fifteen (15) days prior written notice of the estimated date of substantial completion of the Tenant Improvements for the Premises to enable the Lessee to enter onto the Premises for the purpose of completing cabling, wiring, telephone installation, etc. (the "Tenant's Work"). During such thirty (30) day period the Lessor shall use reasonable efforts to provide the Lessee with clear and unobstructed access to the space for the Tenant's Work, providing that such work does not unreasonably interfere with the Lessor's work or the installation of the Tenant Improvements. All of the Tenant's Work shall be contracted for by the Lessee and shall be completed at its sole cost and expense. In the event that the Tenant's Work requires the use of a general contractor, the Lessee agrees that it will coordinate with the Lessor's contractor for purposes of facilitating an orderly completion of the Premises. All construction and work shall be in compliance with all applicable building codes and insurance requirements. The Lessee shall have in place all of the insurance required under the terms of this Lease and shall provide evidence thereof to the Lessor prior to commencing any of the Tenant's Work. The Lessee shall cause all of the Tenant's Work to be diligently prosecuted and completed and shall not delay substantial completion of the Premises.

18.6. Construction Delays.

(a) Construction Delays Attributable to the Lessor.

In the event that the Tenant Improvements are not substantially completed on or before October 1, 1998 and (a) the delay is not caused by the Lessee as provided in Section 18.6(b) and (b) the delay is not attributable to factors outside the control of the Lessor, including, without

limitation, delays in receiving approvals, permits or final tenant improvement

plans, strikes, labor or materials shortages or acts of God, the Lessee shall not have a right to terminate the Lease nor shall the Lessee have any claim for damages.

(b) Delay Caused by Lessee.

A delay caused by the Lessee shall be considered to exist in the event that there is any delay in the (a) completion of the Tenant's Work caused by the Lessee or (b) any delay in the substantial completion of any portion of the Tenant Improvements which is caused by (i) any change, modification, or additional work requested or initiated by the Lessee, which is shown on a change order executed in connection therewith, (ii) any non-standard or above-standard Tenant Improvements requested by the Lessee which, as a result of delays in obtaining materials or special installation/construction requirements, extend the construction time for the Tenant Improvements, (iii) the Lessee's failure to provide timely delivery or approval of the Space Plan or working drawings or any other matter relating to the plans and specifications for or construction of the Tenant Improvements, (iv) any delay caused by the Lessee in obtaining any necessary appropriate governmental permits or approvals for the Tenant Improvements, or (v) any other act or omission of the Lessee that delays construction provided that the Lessor gives notice thereof to the Lessee within five (5) days of the occurrence.

In the event of a delay caused by the Lessee, the Lessor shall notify the Lessee within ten (10) days after the occurrence of such delay as to the nature and estimated length of the delay. If the Lessor reasonably believes that any such delay can be mitigated or eliminated by the payment of additional money and/or the performance of overtime work, the Lessor shall so notify the Lessee and the Lessee shall have the right, at its sole cost and expense, to pay or provide for such additional expenditure and/or overtime work and the delay shall be reduced or eliminated accordingly.

The parties hereto acknowledge that delays caused by the Lessee will have the effect of postponing the substantial completion of the Tenant Improvements and the Term Commencement Date of the Lease. As compensation to the Lessor for any the Lessee-caused delay, the Lessee agrees to pay to the Lessor an amount equal to the rent which would have been payable hereunder (the "Tenant Delay Penalty") for each day of delay in completion of the Tenant's Work or substantial completion of the Tenant's Improvements which is caused by the Lessee. The Tenant Delay Penalty shall be calculated by using the size of the Premises as shown on the working drawings. The Tenant Delay Penalty shall be imposed for each delay as well as any delay caused by the Lessee as described hereunder provided that the Lessor notifies the Lessee in writing of its belief that a delay has been caused by the Lessee shortly following the occurrence of the alleged delay. The accrued Tenant Delay Penalty shall be due and payable

upon substantial completion of the Tenant Improvements and, if not paid on such date, shall earn interest at the highest rate allowed by law.

19. RIGHT TO LEASE ADDITIONAL SPACE.

In the event that additional space in the Building becomes available for lease and GRC International, another tenant of the Building, does not elect to lease such space (the "Additional Space"), the Lessor shall offer to the Lessee the right to lease such additional space on the same terms as this Lease, including the rental then payable and the remaining term then existing under this Lease, subject to the following terms and conditions:

(a) The Lessee is not in default of any provision of Lease.

(b) The Lessor has not delivered to the Lessee more than two (2) notices of default under this Lease.

(c) The Lessee shall have executed an amendment or addendum to this Lease incorporating the Additional Space and delivered the same to the Lessor within ten (10) days of the date that the Lessor delivers written notice to the Lessee that Additional Space is available for lease by the Lessee.

(d) The rights contained in this Article 19 may be exercised by the originally-named Lessee or by any assignee of the Lessee's interest in the Lease if the assignment has been approved by the Lessor under Article 11 of this Lease. Such rights may not be exercised by any sublessee of all or any portion of the Premises.

EXHIBIT A

PREMISES

EXHIBIT B

CONFIGURATION OF PROJECT,
LOCATION OF BUILDING(S), PREMISES
AND ASSOCIATED COMMON AND PARKING AREAS

EXHIBIT C

RULES AND REGULATIONS

EXHIBIT D

PERSONAL GUARANTY

EXHIBIT E

NON-DISTURBANCE AND ATTORNMENT AGREEMENT

EXHIBIT 10.10

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE ("First Amendment") is made and entered into as of February 2, 1998, by and between SANTA BARBARA CORPORATE CENTER, LLC, a California limited liability company ("Lessor") and SOMERA COMMUNICATIONS, LLC, a limited liability company ("Lessee").

RECITALS:

A. Lessor and Lessee entered into a Lease dated as of January 20, 1998 (the "Lease").

B. The parties desire to amend the Lease as provided herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. AMENDMENT OF PARAGRAPH 2.4 OF LEASE

The last sentence of Paragraph 2.4(c) of the Lease is deleted.

2. AMENDMENT OF PARAGRAPH 15 OF LEASE

The following paragraph is added to Paragraph 15 of the Lease:

"The Lessee agrees that, in the event of any default or breach by the Lessor with respect to any of the terms of the Lease to be observed and performed by the Lessor, (1) the Lessee shall look solely to the then-current Lessor's interest in the Building for the satisfaction of Lessee's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by the Lessor; (2) no other property or assets of Lessor,

its partners, shareholders, officers, directors, employees, investment advisors, or any successor in interest of any of them (collectively, the "Lessor Parties") shall be subject to levy, execution or other enforcement procedure for the satisfaction of Lessee's remedies; (3) no personal liability shall at any time be asserted or enforceable against the Lessor

Parties; and (4) no judgment will be taken against the Lessor Parties. The provisions of this section shall apply only to the Lessor and the parties herein described, and shall not be for the benefit of any insurer nor any other third party."

3. NO FURTHER CHANGES

Except as expressly modified herein, all of the terms and provisions of the Lease are ratified and approved.

LESSOR: SANTA BARBARA CORPORATE CENTER, LLC,
a California limited liability company

By /s/ Jeffrey C. Bermant
_____
Jeffrey C. Bermant,
Manager

LESSEE: SOMERA COMMUNICATIONS, LLC

By_____

Its_____

EXHIBIT 10.11

SECOND AMENDMENT

TO

NET, NET, NET LEASE

(SOMERA COMMUNICATIONS, LLC)

THIS SECOND AMENDMENT is made and entered into, effective as of February 1, 1999, by and between SANTA BARBARA CORPORATE CENTER, LLC, a California limited liability company (the "Landlord"), and SOMERA COMMUNICATIONS, LLC, a California limited liability company (the "Tenant"), with reference to the following facts:

RECITALS:

A. Landlord and Tenant entered into that certain Net, Net, Net Lease dated as of January 20, 1998 (the "original Lease"), pursuant to which Tenant leased from Landlord certain real property located at 5383 Hollister Avenue in the unincorporated area of Santa Barbara County, California and more particularly described in the Lease (the "Original Premises").

B. The Original Lease was amended by that certain First Amendment to Lease dated February 2, 1998 between Landlord and Tenant (the "First Amendment") (the Original Lease, as amended by the First Amendment, is referred to in this Second Amendment as the "Lease").

C. Landlord and Tenant agree to modify the Lease in the manner set forth herein.

AGREEMENTS:

NOW, THEREFORE, based upon the foregoing facts, which Landlord and Tenant agree are accurate, and in consideration of the mutual covenants set forth below, Landlord and Tenant hereby agree as follows:

1. ADDITIONAL PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord,

approximately 2,669 additional rentable square feet as shown on the plot plan attached as Exhibit A (the "Additional Premises"). Unless expressly provided to the contrary herein, the term "Premises" shall include the Original Premises and the Additional Premises for a total of 8,547 rentable square feet. Except as otherwise provided in this Amendment, Tenant shall lease the Additional Premises on the same terms and conditions as are applicable from time to time to the Original Premises.

2. COMMENCEMENT DATE; TERM

The Commencement Date and the Rent Commencement Date for the Additional Premises shall be February 1, 1999. The term of the Lease for the Additional Premises shall be concurrent with the term for the Premises.

3. TENANT'S PERCENTAGES

Tenant's Percentages for the Premises and the Additional Premises shall be as follows:

Original Premises	Additional Premises	Total
Building: 7.18%	3.26%	Building 10.44%
Operating 7.18%	3.26%	Operating 10.44%

4. ADDITIONAL ANNUAL RENT

Effective as of February 1, 1999, Tenant's Annual Rent for the Premises shall be $141,198.80 (i.e., $11,766.57 per month) subject to adjustment as provided in Paragraph 3.5 of the Lease.

5. SECURITY DEPOSIT

Tenant's Security Deposit for the Premises shall be $11,766.57.

6. EXPENSES

Tenant shall bear all costs and expenses associated with this Amendment, including, without limitation, expenses incurred with respect to the preparation and negotiation of this Amendment and all architectural costs, space demising costs, and tenant improvement costs.

7. EARLY TERMINATION RIGHT

The first sentence of Section 2.4(c) of the Original Lease is amended to read as follows:

> "As consideration for the exercise of the early termination right, the Lessee shall pay to the Lessor an amount equal to four (4) months of the total monthly rent then payable, which payment shall be paid to the Lessor concurrently with the delivery of notice of termination."

8. FULL FORCE AND EFFECT

Other than as expressly modified hereby, the Lease remains in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Second Amendment to Lease, effective as of the date set forth above.

"LANDLORD"

SANTA BARBARA CORPORATE CENTER, LLC, a California limited liability Company

1/29/99
Date

By /s/ Jeffrey C. Bermant
Jeffrey C. Bermant, Manager

"TENANT"

SOMERA COMMUNICATIONS, LLC, a California limited liability company

By /s/ Dan Firestone

Date

Name: Dan Firestone

Title: CEO, LLC, Manager

List of Exhibits

Exhibit A Plot Plan of Premises

EXHIBIT A

PLOT PLAN OF ADDITIONAL PREMISES

Exhibit 10.13

SUBLEASE

This SUBLEASE, effective January 30, 1998, is made between GRC INTERNATIONAL, INC., a Delaware Corporation ("Sublessor") and Somera Communications, LLC ("Sublessee").

BASIC SUBLEASE PROVISIONS

1.	PREMISES	
	Premises:	Commonly known as 5383 Hollister Avenue, in the unincorporated area of Goleta, County of Santa Barbara, State of California, consisting of approximately 10,859 rentable square feet (9,826) usable square feet). Suite A consists of 8,263 square feet on the 1st floor, Suite B consists of 1,535 square feet on the 2nd floor, and Suite C consists of 1,061 square feet on the 2nd floor; as shown on Exhibits A & B.
	Premises Address:	5383 Hollister Avenue Santa Barbara, California 93111
	Use of Premises:	The Premises shall be used and occupied only for general office use.
2.	LEASED AREA	10,859 total rentable square feet, and as shown in Exhibits A&B of this SUBLEASE.
3.	TERM	Five years and one and one-half months commencing February 15, 1998, and terminating March 31, 2003.
4.	COMMENCEMENT DATE	February 15, 1998.
5.	TERMINATION DATE	March 31, 2003.
6.	RENT COMMENCEMENT	Suite A: May 1, 1998. Suites B&C: Six (6) weeks from the possession date.
7.	POSSESSION:	Suite A: February 15, 1998, to begin tenant improvements with reasonable access upon SUBLEASE execution for planning. Suites B&C: No later than July 1, 1998.

Both parties understand and agree that time is of the essence and as such will use its best effort to expedite this process so as to effect an earlier possession date.

8. SUBLESSEE'S PERCENTAGES — 20.83% of the Sublessor's prorata share of real property taxes attributable to land/buildings in the project and liability insurance premiums.

9. INITIAL ANNUAL RENT — $172,658.16 NNN, less uncollected rent on Suites A, B, & C during the first year as stated in paragraphs 6 & 7 hereinabove.

Base Monthly Rental Installments: — $14,388.18 per month, ($1.325 per square foot NNN) payable in advance on the first day of the calendar month. Payable as follows: Suite A: $10,948.48 and Suites B&C: $3,439.70.

Additional Rent: — In addition to the basic rent above, Sublessee shall pay to Sublessor all operating expenses associated with the Premises. "Operating Expenses" include, but are not limited to, the following: Real and personal property taxes, maintenance and repair costs, insurance premiums for all risk coverage on the improvements and for public liability insurance, and the cost of utilities furnished to any common areas. The Sublessee shall pay a prorata share of all operating expenses associated with the building and the triple net expenses, consistent with the attached Building Lease, approximately (NNN) $0.30 per square foot. There shall be a cap of $0.30 per square foot per month during year one, and a yearly cost of living increase thereafter on the cap on the Operating Expenses, pursuant to Paragraph 10 below.

10. BASE RENT ADJUSTMENT — The Base Rent shall be adjusted annually throughout the term of the Sublease by the same percentage of increase, if any, as in the Consumer Price Index for Urban Wage Earners and Clerical Workers Los Angeles/Anaheim/Riverside Area Average, Subgroup "All Terms", 1982-1984 = 100. The first such adjustment shall be made on April 1, 1999. Said increase shall not exceed five percent (5%) per year.

11.	ADVANCE RENT	Sublessee shall pay to Sublessor upon the execution of this SUBLEASE the first month's rent for Suite A, the sum of $10,948.48. The first month's rent for Suites B & C shall be paid six (6) weeks from the possession date, see paragraph 4 hereinabove.
12.	SECURITY DEPOSIT	Sublessee shall pay to Sublessor upon execution of the SUBLEASE a security deposit equal to one month's rent, the sum of $14,388.18, for Suites A, B, & C, which shall be refundable under the terms of the SUBLEASE. The security deposit shall be adjusted annually by the same formula as provided in Paragraph 10 above.
13.	OPTIONS	Sublessee shall have two option(s) to extend the term of the SUBLEASE for three year(s), under the same terms and conditions as during the initial SUBLEASE term.
14.	CONDITION OF THE PROPERTY	Sublessee shall accept the property in its condition as of the execution of this Sublease, except: All electrical, plumbing and HVAC shall be delivered in good working order. Also, the Premises shall be delivered free of debris with no major damage, provided normal wear and tear. In addition, Sublessor shall provide SUBLESSEE with a $8 per usable square foot tenant improvement allowance to remodel said premises. All improvements are subject to Sublessor and LESSOR approval, which shall not be unreasonably withheld. Sublessor shall also allow Sublessee to use any available floor to ceiling modular walls for Suites A, B, & C; not less than eighty (80) linear feet and not more than one hundred sixty (160) linear feet.
15.	UTILITIES	Sublessee shall pay all utilities based on its proportionate share as determined by Sublessor.
16.	SIGNAGE	Sublessee shall only place signs on the interior of the Building with Lessor's and Sublessor's prior written consent and in compliance with the County of Santa Barbara zoning regulations.
17.	PARKING	Sublessee shall be granted the exclusive use of four (4) on-site, unreserved parking spaces per 1,000 rentable square feet during the term of the SUBLEASE.

18. RIGHT TO EXPAND: In the event Sublessor decides to SUBLEASE any additional space at 5383 Hollister Avenue, Sublessee shall have the first right to expand under the same terms and conditions as its original SUBLEASE.

19. RIGHT TO CANCEL: Sublessee shall have the one-time right to cancel said SUBLEASE anytime after April 1, 2001, subject to one hundred and eighty (180) days written notice. As a cancellation penalty Sublessee shall pay Sublessor unamortized tenant improvement expenses. In the event Sublessee relocates to another property that GRC International, Inc. has an ownership interest in, said cancellation penalty shall be waived.

20. BROKERS Broker for the Sublessor and Sublessee is Blair Hayes Commercial Real Estate. Sublessor is responsible for paying the brokerage fee on this SUBLEASE.

21. RENTAL PAYMENT ADDRESS

GRC International, Inc.
1900 Gallows Road
Vienna, VA 22182
Attention: Corporate Director of Facility Services
(May be changed by written notice from Sublessor.)

22. NOTICES

If to Sublessee:

Somera Communications, LLC
Attention: Dan Firestone
5383 Hollister Avenue
Santa Barbara, CA 93117
Phone: (805) 681-3322 x 2232
Fax: (805) 681-3325

If to Sublessor:

GRC International, Inc.
Attention: Dick Biller
1900 Gallows Road
Vienna, VA 22182
Phone: (703) 506-5858
Fax: (703) 356-4289

IN WITNESS WHEREOF, the parties hereto have executed this SUBLEASE, consisting of the foregoing Basic Sublease Provisions, and Sublease Paragraphs 1 through 35, Articles 1 through 17 of the BUILDING LEASE dated April 25, 1997 between

Santa Barbara Corporate Center, LLC ("Lessor") and Sublessor. A copy of the LEASE is incorporated herein as Exhibit C of this SUBLEASE. (Santa Barbara Corporate Center LLC, is the successor in interest to Bermant Development Company.)

SUBLESSOR:

GRC INTERNATIONAL, INC.
A Delaware corporation

By: /s/ Herbert L. Raiche Date: _____

Herbert L. Raiche

Its: Assistant General Counsel and Assistant Secretary

Notice Address: 1900 Gallows Road
Vienna, Virginia 22182

SUBLESSEE:

Somera Communications, LLC

By: /s/ Dan Firestone Date: _____

Dan Firestone

Its: CEO

Address: 5383 Hollister Avenue
Santa Barbara, CA 93117

Consent

Under Exhibit C " BUILDING LEASE", the undersigned Lessor hereby consents to the subletting of the Premises described herein (between GRC International, Inc. and Somera Communications, LLC) on the terms and conditions contained in this SUBLEASE. This consent shall apply only to this SUBLEASE and shall not be deemed to be a consent to any other SUBLEASE. Furthermore, the undersigned agrees to the intended improvements designed by Poliquin Kellogg Design Group.

Dated: _____

LESSOR:

SANTA BARBARA CORPORATE CENTER, LLC

By: _____

Its: _____

SUBLEASE Paragraphs 1 Through 35

This SUBLEASE is made and entered into as of this Thirtieth day of January, 1998, between GRC International, Inc., a Delaware corporation ("Sublessor") and Somera Communications, LLC ("Sublessee"), as a SUBLEASE under the BUILDING LEASE dated April 25, 1995, as amended by, Lessor and Sublessor, and incorporated under this SUBLEASE, a copy of the BUILDING LEASE being attached hereto as Exhibit C and incorporated herein by reference and is hereinafter referred to as the "BUILDING LEASE".

WITNESSETH, that the parties hereto agree as follows:

1. Provisions. Except as otherwise specifically provided for herein, this SUBLEASE is subject to and with the benefit of, all of the terms and conditions of the BUILDING LEASE and Sublessee shall assume and perform all of the obligations of Sublessor and Sublessee in said BUILDING LEASE to the extent said terms and conditions are applicable to the Premises (as defined in Section 2 below) subleased. Sublessee shall not commit or permit to be committed any act or omission which shall violate any term or condition of the BUILDING LEASE or cause Sublessor to be in default under the BUILDING LEASE.

2. Premises. Subject to all terms and conditions hereof, Sublessor does hereby lease to Sublessee and Sublessee hereby agrees to lease from Sublessor, the Premises consisting of approximately 10,859 rentable square feet of space as described upon Exhibits A & B attached hereto and made a part hereof and situated in the building located at 5383 Hollister Avenue, Santa Barbara, California 93111.

3. Term. The term of this SUBLEASE shall commence on February 15, 1998 ("Commencement Date"), and shall expire on March 31, 2003, ("Expiration Date"), subject to LESSEE'S right to cancel described hereinabove in paragraph 19 of the BASIC SUBLEASE PROVISIONS.

4. Monthly Base Rent. Subject to the provisions of paragraphs 6, 7, and 9 to

the BASIC SUBLEASE PROVISIONS hereof, Sublessee shall pay to Sublessor as Monthly Base Rent for the Premises in advance on the first day for each calendar month of the term of this SUBLEASE, without deduction, offset, prior notice or demand, in lawful money of the United States, the sum of fourteen thousand three hundred eighty-eight and 18/100 dollars ($14,388.18); and a per diem rate of four hundred seventy-nine and 61/100 dollars ($479.61) shall be paid for the fractional month during which the SUBLEASE is in effect. The Monthly Base Rent and the Additional Rent (as hereinafter defined) for the first month (or fractional month) of the term hereof, shall be due and payable upon execution of this SUBLEASE. Rent shall be paid to Sublessor at the Notice Address set forth on the signature page or at such place as Sublessor may from time to time designate in writing.

5. Additional Rent. In addition to Monthly Base Rent, Sublessee shall pay its prorata share (20.83%) of Sublessor's prorata share of all Building Operating Expenses, and Common Area Operating Expenses as defined in Paragraph 3, RENT, of the BUILDING LEASE, janitorial costs, and utilities. Sublessor will bill Sublessee each month by providing the Sublessee a copy of the previous months' bill for their prorata share of such expenses and costs. Sublessee shall pay the Additional Rent each month to Sublessor together with Monthly Base Rent.

6. Security Deposit. Upon execution of this SUBLEASE, Sublessee shall pay to Sublessor a security deposit equal to Basic Monthly Rental Installment set forth in Paragraph 9 of the BASIC SUBLEASE PROVISIONS of this SUBLEASE. This deposit shall be adjusted annually by the same formula as provided in Paragraph 10 of the BASIC SUBLEASE PROVISIONS of this SUBLEASE. This security deposit may be commingled with any other funds of Sublessor, and shall be returned within sixty (60) days after termination or expiration of this SUBLEASE, subject to deductions to repair any damages by Sublessee or cleaning required to restore the Premises to the condition in which Sublessee took possession thereof. Sublessor shall not be required to pay any interest to Sublessee respecting this deposit.

7. Use. Sublessee shall use the Premises only for the purpose of General Office use and for no other purpose, without the prior written consent of Sublessor. Sublessee's use of the Premises shall at all times be in conformity with all applicable governing laws and regulations, shall not constitute a nuisance, and shall not violate any of the terms, conditions, covenants or restrictions contained in the BUILDING LEASE. If as a result of Sublessee's use of the Premises, any improvements, structural

modifications or additions to the building of which the premises is a part are required subsequent to the commencement of the term hereof by any law, ordinance, rule, regulation or order of any governmental or quasi-governmental authority having jurisdiction over said building, and the rent to be paid thereafter by Sublessor under the BUILDING LEASE is therefore increased pursuant to the terms of the BUILDING LEASE, Sublessee's rent under this SUBLEASE shall be increased by an amount equal to the increase of Sublessor's rent under the BUILDING LEASE, and such increase in rent shall be due and payable at the same time or times Sublessor's increase in rent under the BUILDING LEASE is due and payable.

8. Building Signage. Sublessee shall only place signs on the interior of the Building with Lessor's and Sublessor's prior written consent and in compliance with the County of Santa Barbara zoning regulations.

9. Incorporation of BUILDING LEASE. All of the terms and conditions contained in the BUILDING LEASE are incorporated herein, except for the specific terms of this SUBLEASE, as terms and conditions of this SUBLEASE (with each reference therein to Lessor and Lessee to be deemed to refer to Sublessor and Sublessee), and, along with all of the sections set out in this SUBLEASE, shall be the complete terms and conditions of this SUBLEASE.

10. Brokers. Sublessor warrants and agrees to save and hold Sublessee and Lessor harmless from any and all leasing commissions, costs and liability with respect to the Premises claimed by any real estate broker.

11. Care of the Premises. Sublessee agrees that Sublessee will take good care of the Premises, and will commit no waste and will not do, suffer or permit to be done any injury to the same.

12. Condition of Premises. Sublessee agrees to accept the Premises in an "AS IS" present physical condition and hereby acknowledges that the Premises are in good condition and satisfactory in all respects for Sublessee's occupancy. Provided, the Premises shall be delivered free of debris with no major damage, except normal wear and tear.

13. Obligation of Sublessee Under BUILDING LEASE. It is hereby understood and agreed that Sublessee's right to use, possess and enjoy the Premises are subject to the terms and conditions of the BUILDING LEASE and the rights and remedies of Lessor thereunder. Sublessee agrees to indemnify Sublessor against, and to hold Sublessor harmless from, any liability, damages, costs or expenses of any kind or nature, including court costs and reasonable attorneys fees, resulting from any failure by Sublessee to perform, keep and obey the terms and conditions of the BUILDING LEASE.

14. Insurance. Sublessee agrees, during the term hereof, to carry and maintain public liability insurance in form and amounts and with companies reasonably satisfactory to Sublessor, insuring Sublessor and Lessor as additional insureds, against liability with respect to accidents occurring on, in or about the Premises or arising out of the use and occupancy thereof. Sublessee also agrees to maintain at its expense fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Premises and on all additions and improvements made by Sublessee. If annual premiums paid by Lessor or Sublessor for fire and extended coverage insurance at the building of which the Premises are a part shall exceed the standard rates because of Sublessee's operations, the contents of the Premises, or improvements or alterations made by Sublessee with respect to the Premises result in extra-hazardous exposure, Sublessee shall promptly pay the excess amount of the premium upon demand of Sublessor. The policy or policies maintained by Sublessee shall be issued by a company licensed to do business in California, and Sublessee shall deposit a certificate evidencing the same with Sublessor. Said policy or policies shall contain a provision requiring the insurer to give Sublessor ten (10) days prior written notice before canceling or terminating any said policy for any reason, including expiration of the policy. Pursuant to Article 7 of the attached Building Lease, Exhibit C.

15. Sublease and Assignment by Sublessee. It is mutually agreed that Sublessee may assign this SUBLEASE or further sublease any portion of the Premises, upon consent from Lessor and Sublessor, which consent shall not be unreasonably withheld.

16. Sale and Assignment by Sublessor. Sublessor and Lessor may sell, assign, convey or otherwise transfer their respective interests in the Premises and this SUBLEASE at any time, without notice to or the consent of Sublessee, and that upon the occurrence of any such sale, assignment, conveyance or other transfer Sublessor shall have no further obligation or liability whatsoever hereunder, except to transfer the security deposit held by Sublessor to Sublessor's successor or assign hereunder.

17. Damage, Destruction or Condemnation. In the event of damage or destruction of the Premises or the building of which the Premises are a part of the taking of all or any part thereof under the power of eminent domain, this SUBLEASE shall terminate if, but only if, the BUILDING LEASE is terminated as a result thereof, and the rent payable hereunder shall abate only as long as and in the same proportion as the rent due from Sublessor to Lessor under the BUILDING LEASE abates as a result thereof.

18. Mutual Release/Waiver of Subrogation. Sublessor and Sublessee each hereby release the other, and Sublessee hereby releases Lessor, from any and all liability or responsibility for any loss, injury or damage to the Premises, or its contents, the building of which the Premises are a part, or to any person, caused by fire or any other casualty, personal injury or accident during the term of this SUBLEASE, even if such fire, casualty, personal injury or accident may have been caused by the negligence (but not the willful misconduct) of the other party or one for whom such party may be responsible. Inasmuch as the above mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation (or otherwise) to an insurance company (or any other person), each party hereto hereby agrees if required by said policies of fire and extended coverage insurance, and other insurance, including public liability insurance, to provide written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverage by reason of said waivers.

19. Mortgages. Sublessee accepts this SUBLEASE subject and subordinate to any mortgages now or at any time hereafter constituting a lien or charge upon the Premises, provided, however, that if the holder of any such mortgage elects to have Sublessee's interest in this SUBLEASE superior to any such instrument, then by notice to Sublessee

from such holder, this SUBLEASE shall be deemed superior to such lien, whether this SUBLEASE was executed before or after said mortgage. Sublessee shall at any time hereafter on demand execute any instruments, releases or other documents which may be required by any mortgagee for the purpose of subjecting and subordinating this SUBLEASE to the Lien of any such mortgagee.

20. Sublessee Alterations. Sublessee shall make no alterations, additions or improvements in, on or about the Premises, without the prior written consent of both Sublessor and the Lessor under the BUILDING LEASE, which consent may be conditioned, by either Sublessor or the Lessor under the BUILDING LEASE. Sublessor and Sublessee shall not be required to remove any of Sublessee's tenant improvements at the expiration or cancellation of this Sublease. Prior to commencing any such alterations, additions or improvements, Sublessee shall provide such assurances to Sublessor, including but not limited to, waivers of lien, surety company performance and payment bonds, and personal guarantees of persons of substance, as Sublessor shall require to assure payment of the costs thereof and to protect Sublessor against any loss from mechanics', laborers', material men's or other liens.

21. Sublessor Alterations. Sublessor reserves the right to make alterations to

the Premises as and if required by the terms and conditions of the BUILDING LEASE or by any governmental authority in connection with the use and occupancy of the Premises by Sublessor and any subtenants of Sublessor.

22. Entry by Sublessor. Sublessee shall permit Sublessor, Lessor, and their respective agents, representatives and designees to enter into and upon any part of the Premises with escort by Sublessee at all reasonable hours to inspect or view the same, clean or make repairs, alterations or additions thereto, as Sublessor or Lessor may deem necessary or desirable, and Sublessee shall not be entitled to abatement or reduction of rent by reason thereof.

23. BUILDING LEASE. It is understood and agreed by and between the parties hereto that the existence of this SUBLEASE is dependent and conditioned upon the continued existence of the BUILDING LEASE, and in the event of the cancellation or termination of the BUILDING LEASE, this SUBLEASE coincidentally and automatically shall be terminated without any liability of Sublessor to Sublessee. Sublessor shall not be liable for the failure by Lessor to keep and perform, according to the terms of the BUILDING LEASE, Lessor's duties, covenants, agreements, obligations, restrictions, provisions and conditions, nor for any delay or interruption in Lessor's keeping or performance of the same.

24. Waiver. A waiver by Sublessor of any default, breach or failure of Sublessee under this SUBLEASE shall not be construed as a waiver of any subsequent or different default, breach or failure.

25. Successors and Assigns. All of the terms, covenants, provisions and conditions of this SUBLEASE shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

26. Captions. The captions used on the paragraphs of this SUBLEASE are for convenience only, are not a part of this SUBLEASE, and are not to be considered in the interpretation hereof.

27. Relationship of Parties. This SUBLEASE does not and shall not create the relationship of principal and agent, or of partnership, or of joint venture, or of any other association between Sublessor and Sublessee, the sole relationship between the parties hereto being strictly that of Sublessor and Sublessee.

28. Defined Terms. All terms used herein and defined in the BUILDING LEASE shall have the definitions assigned to such terms in the BUILDING LEASE, except as otherwise provided herein.

29. Notices. All notices or demand of any kind required or desired to be given by Sublessor or Sublessee hereunder shall be in writing and shall be deemed delivered forty-eight (48) hours after depositing the notice or demand in the United States mail certified or registered; twenty-four (24) hours after depositing the same with Federal Express or other overnight courier for overnight delivery, or, alternatively, on the day of transmission if sent via facsimile transmission to the facsimile number set forth below and telephonic confirmation of receipt is obtained after completion of transmission, addressed to Sublessor or Sublessee respectively at the addresses set forth after their signatures at the end of this SUBLEASE.

30. Condition Precedent. A condition precedent to the effectiveness of this SUBLEASE is that the Lessor under the BUILDING LEASE shall have consented hereto as set forth below. Such consent is hereby attached.

31. Security System. Sublessee shall have separate access to Sublessor's security system as currently installed in the building, subject to restrictions placed thereon by Sublessor in its sole discretion. Sublessor shall maintain and operate the system provided that Sublessee shall bear any additional costs associated with Sublessee's use of the system. Sublessor hereby agrees to leave the security system intact upon the expiration of this SUBLEASE.

32. Computer Network Wiring. Sublessor grants Sublessee the use of the computer network wiring that is currently located in the subleased area, at no cost, during this SUBLEASE. Sublessee shall be responsible for maintenance and set up costs associated with the computer network wiring. Sublessor will provide Sublessee with internet and wide area network connectivity at a cost to be determined, should Sublessee chose this option. Sublessee shall provide and operate its own computer and telephone network.

33. Modular Workstations and Furniture. Sublessor shall also allow Sublessee to use any available floor to ceiling modular walls for Suites A, B, & C; not less than eighty (80) linear feet and not more than one hundred sixty (160) linear feet. Sublessee shall be responsible for the maintenance, moving, and set up costs associated with these modular walls.

34. Communications Security. Sublessor retains the right to establish

procedures and equipment and software configurations to provide communications security for the telephone system and the computer wiring in all areas of the Premises. Sublessee shall provide and operate its own computer and telephone network.

35. Solicitation. Sublessee and Sublessor agree that neither party will solicit for employment or subcontracting employees of the other party unless mutually agreed upon in writing by Sublessee and Sublessor. This agreement will remain in full force and affect for a period of six (6) months after termination of the SUBLEASE.

SUBLESSOR:

GRC INTERNATIONAL, INC.
A Delaware corporation

By: /s/ Herbert L. Raiche Date:

Herbert L. Raiche

Its: Assistant General Counsel and Assistant Secretary

Notice Address: 1900 Gallows Road
Vienna, Virginia 22182

SUBLESSEE:

Somera Communications, LLC

By: /s/ Dan Firestone Date:

Dan Firestone

Its: CEO

Address: 5383 Hollister Avenue
Santa Barbara, CA 93117

EXHIBIT A TO JANUARY 30, 1998 SUBLEASE

Between GRC International, Inc.

and

Somera Communications, LLC

PREMISES
SUITE A, FIRST FLOOR

EXHIBIT B TO JANUARY 30, 1998 SUBLEASE

Between GRC International, Inc.

and

Somera Communications, LLC

PREMISES
SUITES B&C, 2ND FLOOR

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EXHIBIT C TO JANUARY 30, 1998 SUBLEASE

Between GRC International, Inc.

and

Somera Communications, LLC

BUILDING LEASE

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated September 9, 1999 relating to the financial statements and financial statement schedule of Somera Communications LLC, which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Registration Statement.

PricewaterhouseCoopers LLP

San Jose, California
September 10, 1999

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