

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

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED NOVEMBER 1, 1997

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO. 1-7819

ANALOG DEVICES, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS  
(State or other jurisdiction of incorporation or organization)

04-2348234  
(I.R.S. Employer Identification No.)

ONE TECHNOLOGY WAY, NORWOOD, MA  
(Address of principal executive offices)

02062-9106  
(Zip Code)

(781) 329-4700  
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (B) OF THE ACT:

COMMON STOCK \$.16 2/3 PAR VALUE	NEW YORK STOCK EXCHANGE
Title of Each Class	Name of Each Exchange on Which Registered

SECURITIES REGISTERED PURSUANT TO SECTION 12 (G) OF THE ACT:

NONE

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$4,395,116,408 based on the closing price of the Common Stock on the New York Stock Exchange Composite Tape reporting system on December 31, 1997.

As of December 31, 1997, there were 162,201,029 shares of \$.16 2/3 par value Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	10-K PART
Portions of Annual Report to Shareholders for the fiscal year ended November 1, 1997	I and II
Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held March 10, 1998	III

## PART I

## ITEM 1. BUSINESS

## COMPANY OVERVIEW

Analog Devices, Inc. ("Analog" or the "Company") designs, manufactures and markets a broad line of high-performance linear, mixed-signal and digital integrated circuits ("ICs") that address a wide range of real-world signal processing applications. The Company's principal products include general-purpose, standard-function linear and mixed-signal ICs ("SLICs") and system-level ICs. The latter group includes general-purpose digital signal processing ICs ("DSPs") and application-specific devices that typically incorporate analog and mixed-signal circuitry and a DSP core.

Nearly all of Analog's products are components, which are typically incorporated by original equipment manufacturers ("OEMs") in a wide range of equipment and systems for use in communications, computer, industrial, instrumentation, military/aerospace, automotive and high-performance consumer electronics applications.

The Company sells its products worldwide through a direct sales force, third-party industrial distributors and independent sales representatives. Approximately 46% of fiscal 1997 revenue was derived from customers in North America, while most of the balance was derived from customers in Western Europe and the Far East.

Analog is headquartered near Boston in Norwood, Massachusetts, and has manufacturing facilities in Massachusetts, California, North Carolina, Ireland, the Philippines and Taiwan. Founded in 1965, Analog employs approximately 7,500 persons worldwide.

## INDUSTRY BACKGROUND

Real-world phenomena, such as temperature, pressure, sound, images, speed, acceleration, position and rotation angle, are inherently analog in nature, consisting of continuously varying information. This information can be detected and measured using analog sensors, which represent real-world phenomena by generating continuously varying voltages and currents. The signals from these sensors are initially processed using analog methods, such as amplification, filtering and shaping. They are then usually converted to digital form for input to a microprocessor, which is used to manipulate, store or display the information. In many cases the signals are further processed after conversion to digital form using a technology called "digital signal processing," or DSP. In addition, digital signals are frequently converted to analog form to provide signals for analog display, sound, or control functions. These manipulations and transformations are known collectively as "real-world signal processing."

Significant advances in semiconductor technology over the past 10 to 15 years have led to substantial increases in the performance and functionality of ICs used in signal processing applications. These advances include the ability to create VLSI (Very Large Scale Integration) mixed-signal ICs that contain both high-performance analog circuitry and large amounts of high-density digital circuitry. The analog circuitry portion of the IC is used for manipulating real-world signals while still in analog form and for converting analog signals into digital form (or vice versa), and the digital portion is used for further processing analog signals subsequent to their conversion to digital form. The ICs resulting from these advances are used as components in equipment and systems to achieve higher performance and more efficient signal processing.

## PRINCIPAL PRODUCTS

The Company operates predominantly in one industry segment: the design, manufacture and marketing of a broad line of high-performance linear, mixed-signal and digital integrated circuits that address a wide range of real-world signal processing applications. Analog's products can be divided into three classifications: Standard Linear ICs, system-level ICs and assembled products.

A substantial portion of the Company's products are proprietary, while equivalents to most of its other products are available from a limited number of other suppliers.

## SLICS

SLIC products have been the foundation of the Company's business for more than 20 years, and Analog believes it is one of the world's largest SLIC suppliers. During 1997, 1996 and 1995, SLIC sales represented 61%, 57% and 64%, respectively, of the Company's total sales. The Company's SLICs are primarily high-performance, single-function devices. The majority of the Company's SLIC product revenue is attributable to sales of data converters (analog-to-digital and digital-to-analog) and amplifiers. Other SLIC products offered by the Company include analog signal-processing devices (such as analog multipliers), voltage references and comparators. Over the past few years the Company has been expanding its SLIC product offerings into product areas where its focus was previously limited, principally interface circuits and power management ICs. It is also expanding its SLIC product line to include a much larger number of products designed to operate from single-supply 3 or 5 volt power sources to better meet the needs of customers designing portable, battery-operated equipment.

Analog's SLIC products tend to be general purpose in nature, which allows customers to incorporate them in a wide variety of equipment and systems. Analog's product portfolio includes several hundred SLICs, any one of which can have as many as several hundred customers. SLICs typically have long product life cycles. The Company's SLIC customers include both OEMs and customers who build equipment for their own use. Historically, most SLICs have been purchased by OEMs which serve the instrumentation, industrial and military/aerospace markets, but they are now also being used for applications in communications, computers, camcorders, scanners, automatic test equipment, imaging and other consumer applications requiring high-performance real-world signal processing.

By using standard, high-performance, readily available, off-the-shelf components in their designs, Analog's customers can reduce the time required to develop and bring new products to market. Given the high cost of developing customized ICs, SLICs usually provide the most cost-effective solutions for low to medium volume applications. In addition, combinations of SLICs connected together on a printed circuit board can provide functionality not currently achievable using a single IC.

## SYSTEM-LEVEL ICS

Analog's system-level ICs include general-purpose DSP ICs and multi-function devices that feature high levels of functional integration on a single chip. During 1997, 1996 and 1995, sales of these products represented 35%, 38% and 28%, respectively, of the Company's total sales.

The Company's general-purpose DSP ICs are designed to efficiently execute specialized programs (algorithms) associated with processing digitized real-time, real-world data. General-purpose DSP IC customers typically write their own algorithms using software tools provided by the Company and software tools obtained from third-party suppliers. All of these devices share a common architecture and code compatibility, which allows system designers to address cost, performance and time-to-market constraints. Analog supports these products with specialized applications and easy-to-use, low-cost design tools, which reduce product development costs and time to market.

Most of Analog's system-level ICs, other than its general-purpose DSPs, are mixed-signal devices some of which include a DSP core. The balance are linear-only devices. These devices are nearly always designed to meet the requirements of a specific application, and the design process often includes significant input from one or more potential key customers. Market demand for these types of devices is driven by the benefits that result from combining a number of functions on a single circuit, as opposed to a combination of SLICs and other ICs. These benefits include higher performance, lower cost per function, smaller size, lower weight, fewer parts and decreased power consumption. These products allow Analog's customers to design smaller, lighter, higher performance, more power-efficient and lower cost end products. The Company believes that these benefits are becoming more important to the Company's OEM customers as they increase their focus on high-performance, small, lightweight products, many of which are battery powered.

## ASSEMBLED PRODUCTS

The Company's assembled products include multi-chip modules ("MCMs"), hybrids and printed-board modules. A MCM is a device made up of several IC chips assembled in an automated fashion in a multilayer package that provides high interconnect density at low cost. A hybrid consists of several chips and discrete components mounted and wired together on a substrate, which is then enclosed in a package. A printed-board module consists of surface-mount components assembled on a small printed board that is then encapsulated in a small plastic case.

Revenues from this product group have been declining for several years, primarily because hybrids have been replaced in many new designs with smaller, lower-cost monolithic ICs that offer higher levels of performance and integration at lower cost. During 1997, 1996 and 1995, sales of these products represented 4%, 5% and 8%, respectively, of the Company's total sales.

## MARKETS AND APPLICATIONS

The Company's products are sold primarily to OEMs for incorporation into equipment, instruments and systems sold to end users for a wide variety of applications, including engineering; medical and scientific instruments; industrial equipment; communications equipment; computers and computer peripherals; military/aerospace equipment; high-end consumer electronics products and automotive products. The Company's growth has been aided both by the expansion of these markets and the increasing need for high-performance real-time signal processing.

Listed below are some of the characteristics of each of the Company's major markets:

**INSTRUMENTATION**--includes engineering, medical and scientific instruments. These products are usually designed using the highest performance SLICs available, where production volumes generally do not warrant custom or application-specific ICs.

**INDUSTRIAL**--includes data acquisition systems, automatic process control systems, robotics, environmental control systems and automatic test equipment ("ATE"). These products generally require ICs that offer performance greater than that available from commodity-level ICs, but generally do not have production volumes that warrant custom or application-specific ICs. Combinations of SLICs are therefore usually employed to achieve the necessary functionality, except in ATE applications where the high level of electronic circuitry required per tester has created opportunities for the design of system-level ICs for this application.

**COMMUNICATIONS**--includes data and fax modems, digital cellular telephones and portable, wireless communication base station equipment and broadband wired applications. The need for ever higher speed, coupled with more reliable, more bandwidth-efficient communications is creating increasing demand for systems that include both digital and analog signal processing capability. Demand for signal processing ICs for this market is also being driven by the equipment manufacturers' need for components that enable them to develop cost-effective products that feature high performance, small size, low weight and minimal power consumption.

**COMPUTERS AND COMPUTER PERIPHERALS**--includes high-performance personal computers, workstations and peripheral devices such as hard disk drives and scanners. The Company currently supplies a variety of ICs used in this market for functions such as graphic displays; interfaces between PCs and peripherals such as modems and printers; power and battery management; and enhanced sound input and output capability for business and entertainment applications.

**MILITARY/AEROSPACE**--includes military, commercial avionics and space markets, all of which require high-performance ICs that meet rigorous environmental and reliability specifications. Nearly all of the Company's SLICs can be supplied in versions that meet appropriate military standards. In addition, many products can be supplied to meet the standards required for broadcast satellites and other commercial space applications. Most of the Company's products sold in this market are derived from standard commercial grade ICs, although the Company sometimes develops products expressly for military/aerospace applications.

CONSUMER ELECTRONICS--The emergence of high-performance consumer products, such as compact disc players, DVD players and digital camcorders, has led to the need for high-performance system-level ICs with a high level of functionality. Although the Company's revenue from this market has not been significant, the Company has begun supplying ICs for sophisticated products used by consumers for computing, communications and entertainment applications, and believes that many of these applications will involve digital signal processing.

AUTOMOTIVE--Although the automotive market has historically been served with low-cost, low-performance ICs, demand has emerged for higher performance devices for a wide range of applications. In response, Analog is developing products specifically for the automotive market. The Company is supplying a micromachined IC used as a crash sensor in airbag systems, which serves as an alternative to an electromechanical sensor. The Company anticipates that other micromachined devices derived from this product may be suitable for other automotive applications, such as anti-lock brakes and "smart" suspension systems.

#### RESEARCH AND DEVELOPMENT

The markets served by Analog are characterized by rapid technological changes and advances. Accordingly, the Company makes substantial investments in the design and development of new products and processes, and for significant improvement of existing products and processes. Analog spent \$196 million during fiscal 1997 on the design, development and improvement of new and existing products and processes, compared to \$178 million during fiscal 1996 and \$134 million during fiscal 1995.

In support of its research and development activities, the Company employs several hundred engineers involved in product and process development at several design centers and manufacturing sites located throughout the world.

As of November 1, 1997, the Company owned 486 U.S. patents and had 168 patent applications on file with the United States patent office. The Company believes that while its patents may provide some advantage, its competitive position is largely determined by such factors as the knowledge, ability and experience of the Company's personnel, new product development, market recognition and ongoing marketing efforts, customer service and technical support.

#### SALES CHANNELS

Analog sells its products in both North America and internationally through a direct sales force, third-party distributors and independent sales representatives. Approximately 46% of fiscal 1997 revenue was derived from customers in North America. As of December 1, 1997, the Company had 13 sales offices in the United States, and its third-party distribution channel consisted of eight national and regional third-party distributors and several independent sales representatives at numerous locations throughout the U.S. and Canada.

Approximately 29% of the Company's fiscal 1997 revenue was derived from sales to customers in Europe; 13% to customers in Japan; and 12% to customers in other international markets. As of December 1, 1997, the Company had direct sales offices in Australia, Austria, Denmark, France, Germany, Hong Kong, India, Israel, Italy, Japan, Korea, The Netherlands, Singapore, Sweden, Taiwan and the United Kingdom. The Company also had sales representatives and/or distributors in approximately 36 countries outside North America, including countries where the Company also has direct sales offices. For further detail regarding geographic information, see Note 3 in the Notes to the Company's Consolidated Financial Statements incorporated herein by reference to the 1997 Annual Report to Shareholders and filed herewith as part of Exhibit 13.2.

Approximately 42% of Analog's fiscal 1997 revenue was derived from sales made through distributors. The Company's distributors typically maintain an inventory of Analog products. Some of these distributors also sell products competitive with the Company's products, including those for which the Company is an alternate source. Sales to certain distributors are made under agreements which provide protection to the distributors for their inventory of Company products against price reductions and products that are slow-moving or have been discontinued by the Company.

The Company's worldwide sales efforts are supported by an extensive promotional program that includes editorial coverage and paid advertising in trade publications; direct mail programs; promotional brochures; technical seminars; and participation in trade shows. The Company publishes and distributes full-length databooks, short-form catalogs, applications guides, technical handbooks and detailed data sheets for individual products. The Company also provides products and application information via its worldwide web site on the Internet. The Company also maintains a staff of application engineers who aid customers in incorporating Analog's products into their products during their product development cycles.

For fiscal 1997, Analog's 20 largest customers accounted for approximately 29% of the Company's net sales. The largest single customer represented less than 4% of net sales.

#### PRODUCTION AND RAW MATERIALS

Monolithic integrated circuit components are manufactured in a sequence of production steps that include wafer fabrication, wafer testing, cutting the wafer into individual "chips" (or dice), assembly of the dice into packages and electrical testing of the devices in final packaged form. The raw materials used to manufacture these devices include silicon wafers, processing chemicals (including liquefied gases), precious metals, ceramic packages and plastic used for plastic packaging.

In addition to using industry-standard bipolar and CMOS wafer fabrication processes, Analog employs a wide variety of Company-developed proprietary processes specifically tailored for use in fabricating high-performance linear and mixed-signal SLICs and system-level ICs.

Analog's IC products are fabricated both at the Company's production facilities and by third-party wafer fabricators. The Company relies primarily on its own facilities for fabricating wafers that require linear and mixed-signal processes. The Company operates wafer fabrication facilities in Wilmington and Cambridge, Massachusetts; Santa Clara and Sunnyvale, California; and Limerick, Ireland for production of linear and mixed-signal devices. The Company also operates assembly and test facilities located in the United States, Ireland, the Philippines and Taiwan and also uses third-party subcontractors. The Company uses two principal foundries, Taiwan Semiconductor Manufacturing Company ("TSMC") and Chartered Semiconductor Manufacturing Pte., Ltd. ("CSM") for the production of digital and VLSI mixed-signal devices. To provide access to advanced process technology at competitive costs, the Company has entered into a joint venture agreement (WaferTech, LLC) with TSMC, Altera, Integrated Silicon Solutions and several individual investors to build an eight-inch wafer fabrication facility in Camas, Washington. Analog is an 18% equity partner in the joint venture, which is expected to become operational late in 1998, and has rights to purchase up to 27% of the output from this facility.

Hybrid products are manufactured by mounting and connecting together several integrated circuit chips in a single package. Some of the chips used in the Company's hybrids are manufactured by the Company and some are purchased from outside suppliers. The production process for modular components, subsystems and systems consists primarily of assembly, packaging and testing. Some of the Company's assembled products are assembled and tested within the Company's U.S. manufacturing facilities, while others are assembled and tested at Company-owned facilities outside the United States or by subcontractors, principally in the Far East.

To respond to production capacity shortages which existed during 1995, the Company significantly expanded its manufacturing capacity during 1996 and 1997. Major wafer fabrication expansions have been completed in Wilmington, Massachusetts; Cambridge, Massachusetts; Sunnyvale, California and Limerick, Ireland. In addition, the Company has completed construction of an additional assembly and test facility in Cavite, Philippines.

#### BACKLOG

Backlog at the end of fiscal 1997 was approximately \$280 million; it was approximately \$291 million at the end of fiscal 1996. The Company may allow customers to revise the quantities or delivery schedules of products ordered to reflect changes in their needs. Accordingly, the Company believes that its backlog at any time should not be used as a measure of future revenues.

## GOVERNMENT CONTRACTS

The Company estimates that approximately 12% of its fiscal 1997 total worldwide revenue was attributable to sales to the U.S. government and government contractors and subcontractors. Analog's government contract related business is predominantly in the form of negotiated, firm fixed-price subcontracts. All such contracts and subcontracts contain standard provisions relating to termination at the election of the United States government.

## COMPETITION

Analog competes with a large number of semiconductor companies in markets that are highly competitive. The Company believes it is one of the largest suppliers of high-performance linear and mixed-signal signal-processing components. These types of products fall into both the SLIC and system-level IC product categories. Competitors for the Company's linear and mixed-signal products include Burr-Brown Corp., Cirrus Logic Inc., Exar Corp., Harris Corp., Linear Technology Corp., Maxim Integrated Products, Inc., National Semiconductor Corp., Rockwell International Corp., Sierra Semiconductor Corp., Siliconix Inc., Texas Instruments, Inc. and others.

Sales of DSPs represent a growing percentage of the Company's total sales. Analog's competitors in the DSP IC market include Lucent Technologies Inc., Motorola Semiconductor Products and Texas Instruments, Inc.

Many other companies offer components that compete with Analog's products; some also offer other electronic products, and some have financial resources substantially larger than Analog's. Also, some formerly independent competitors have been purchased by larger companies. However, to the Company's knowledge, no manufacturer competes with Analog across all of the product types offered by the Company in its signal-processing components product line.

Analog believes that competitive performance in the marketplace for real-world signal-processing components depends upon several factors, including product price, technical innovation, product quality and reliability, range of products, customer service and technical support. Analog believes its aggressive technical innovation emphasizing product performance and reliability, supported by its commitment to strong customer service and technical support, enables the Company to continue to compete successfully in its chosen markets against both foreign and domestic semiconductor manufacturers.

## ENVIRONMENT

Analog's manufacturing facilities are subject to numerous environmental laws and regulations, particularly with respect to industrial waste and emissions. Compliance with these laws and regulations has not had a material impact on the Company's capital expenditures, earnings or competitive position.

## EMPLOYEES

As of November 1, 1997, the Company employed approximately 7,500 persons. The Company's future success depends in large part on the continued service of its key technical and senior management personnel, and on its ability to continue to attract, retain and motivate qualified employees, particularly those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for such personnel is intense, and the loss of key employees could have a material adverse effect on the Company. The Company believes that relations with its employees are good.

## ITEM 2. PROPERTIES

The Company's corporate headquarters is located in Norwood, Massachusetts. Manufacturing and other operations are carried on in several locations worldwide. The following tables provide certain information as to the Company's principal general offices and manufacturing facilities:

PLANT LOCATION OWNED: -----	USE ---	FLOOR SPACE -----
Wilmington, Massachusetts	Wafer fabrication, components assembly and testing, engineering and administrative offices	265,200 sq. ft.
Wilmington, Massachusetts	Engineering, marketing and administrative offices	108,000 sq. ft.
Wilmington, Massachusetts	Components engineering, marketing and administrative offices	67,200 sq. ft.
Westwood, Massachusetts	Components and subsystems assembly and testing, engineering and administrative offices	100,500 sq. ft.
Limerick, Ireland	Wafer fabrication, wafer probe and testing, engineering and administrative offices	311,400 sq. ft.
Greensboro, North Carolina	Components and board assembly and testing, engineering and administrative offices	100,000 sq. ft.
Cavite, Philippines	Components assembly and testing, engineering and administrative offices	166,000 sq. ft.
Manila, Philippines	Components assembly and testing, engineering and administrative offices	85,000 sq. ft.

PRINCIPAL PROPERTIES LEASED -----	USE ---	FLOOR SPACE -----	LEASE EXPIRATION (FISCAL YEAR) -----	RENEWALS -----
Norwood, Massachusetts	Corporate headquarters, engineering, components testing, sales and marketing offices	135,000 sq. ft.	2007	3, five-yr. periods
Cambridge, Massachusetts	Wafer fabrication, components testing and assembly engineering, marketing and administrative offices	116,000 sq. ft.	2001	2, five-yr. periods
Santa Clara, California	Wafer fabrication, components assembly and testing, engineering and administrative offices	72,800 sq. ft.	2000	2, five-yr. periods
Santa Clara, California	Administrative offices and engineering	43,500 sq. ft.	2000	2, five-yr. periods
Sunnyvale, California	Wafer fabrication	40,000 sq. ft.	2000	3, five-yr. periods
Taipei, Taiwan	Components testing, engineering and administrative offices	53,400 sq. ft.	2001	1, five to seven yr. period

## ITEM 2. PROPERTIES -- (CONTINUED)

In addition to the principal leased properties listed in the previous table, the Company also leases sales offices and other premises at 29 locations in the United States and 28 locations overseas under operating lease agreements. These leases expire at various dates through the year 2010. The Company anticipates no difficulty in retaining occupancy of any of its manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. For information concerning the Company's obligations under all operating and capital leases see Note 7 in the Notes to the Company's Consolidated Financial Statements incorporated herein by reference to the 1997 Annual Report to Shareholders and filed herewith as part of Exhibit 13.2.

## ITEM 3. LEGAL PROCEEDINGS

The information required by this item is set forth in Note 8 in the Notes to the Company's Consolidated Financial Statements incorporated herein by reference to the 1997 Annual Report to Shareholders and filed herewith as part of Exhibit 13.2.

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

No matters were submitted to a vote of the Company's security holders during the last quarter of the fiscal year ended November 1, 1997.

## EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth (i) the name and age of each present executive officer of the Company; (ii) the position(s) presently held by each person named; and (iii) the principal occupations held by each person named for at least the past five years.

EXECUTIVE OFFICER -----	AGE ---	POSITION -----	BUSINESS EXPERIENCE -----
Ray Stata.....	63	Chairman of the Board and Acting General Manager, Micromachined Products Division	Chairman of the Board since 1973; Acting General Manager, Micromachined Products Division since September 1996; Chief Executive Officer from 1973 to November 1996; President from 1971 to November 1991.
Jerald G. Fishman.....	52	President, Chief Executive Officer and Director	Chief Executive Officer since November 1996; President and Director since November 1991; Executive Vice President from 1988 to November 1991; Group Vice President-Components from 1982 to 1988.
Ross Brown.....	53	Vice President, Human Resources	Vice President, Human Resources since May 1993; U.S. Personnel Manager for Digital Equipment Corp. from 1990 to 1993; Senior Group Personnel Manager at Digital from 1986 to 1990.
David D. French.....	41	Vice President and General Manager, Computer Products Division	Vice President and General Manager, Computer Products Division since May 1994; Vice President and General Manager of Systems IC Products Division from November 1991 to May 1994; Division General Manager from February 1988 to November 1991.
Russell K. Johnsen.....	43	Vice President and General Manager, Communications Division	Vice President and General Manager, Communications Division since May 1994; Vice President and General Manager, Analog Devices Semiconductor Division from November 1993 to May 1994; General Manager of the Wide Area Networks Division of National Semiconductor Corp. from 1992 to 1993.
Robert R. Marshall.....	43	Vice President, Worldwide Manufacturing	Vice President, Worldwide Manufacturing since February 1994; Vice President, Manufacturing, Limerick Site, Analog Devices, B.V. - Limerick, Ireland from November 1991 to February 1994; Plant Manager, Analog Devices, B.V. - Limerick, Ireland from January 1991 to November 1991.

EXECUTIVE OFFICER -----	AGE ---	POSITION -----	BUSINESS EXPERIENCE -----
William A. Martin.....	38	Treasurer	Treasurer since March 1993; Assistant Treasurer from October 1991 to March 1993; Manager of Treasury Finance from March 1987 to October 1991; Manager of International Treasury from October 1985 to March 1987.
Robert McAdam.....	47	Vice President and General Manager, Standard Linear Products Division	Vice President and General Manager, Standard Linear Products Division since February 1994; Vice President and General Manager, Analog Devices, B.V. - Limerick, Ireland from January 1991 to February 1994; Product Line Manager, Analog Devices, B.V. - Limerick, Ireland from October 1988 to January 1991.
Brian P. McAloon.....	47	Vice President, Sales	Vice President, Sales since May 1992; Vice President, Sales and Marketing - Europe and Southeast Asia from 1990 to 1992; General Manager, Analog Devices, B.V. - Limerick, Ireland from 1987 to 1990.
Joseph E. McDonough.....	50	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer since November 1991; Vice President since 1988 and Treasurer from 1985 to March 1993; Director of Taxes from 1983 to 1985.
H. Goodloe Suttler.....	46	Vice President, Marketing, Quality and Planning	Vice President, Marketing, Quality and Planning since October 1993; Vice President and General Manager, Analog Devices Semiconductor Division from November 1991 to October 1993; General Manager of Analog Devices Semiconductor Division from August 1988 to November 1991.
Franklin Weigold.....	58	Vice President and General Manager, Transportation and Industrial Products Division	Vice President and General Manager, Transportation and Industrial Products Division since March 1992; President and Chief Operating Officer of Unitrode from June 1990 to March 1992.

There is no family relationship among the named officers.

## PART II

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

The Company's Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol ADI. The table below sets forth the NYSE high and low sale prices of the Common Stock during the two most recent fiscal years.

PERIOD -----	FISCAL 1997		FISCAL 1996	
	HIGH ----	LOW ---	HIGH ----	LOW ---
First Quarter	\$ 29.25	\$ 19.63	\$ 19.38	\$ 13.13
Second Quarter	\$ 29.25	\$ 21.00	\$ 22.63	\$ 16.13
Third Quarter	\$ 33.75	\$ 23.88	\$ 22.38	\$ 12.75
Fourth Quarter	\$ 36.69	\$ 26.00	\$ 22.25	\$ 14.63

The Company's \$60,000,000 credit agreement restricts the aggregate of all cash dividend payments declared or made subsequent to November 2, 1996 to an amount not exceeding \$150,000,000 plus 50% of the consolidated net income of the Company for the period from November 3, 1996 through the end of the Company's then most recent fiscal quarter. At November 1, 1997 this amount was equal to \$239,110,000. The Company has never paid any cash dividends on its Common Stock and has no current intentions to do so.

The approximate number of holders of record of the Company's Common Stock at December 31, 1997 was 5,132. This number does not include shareholders for whom shares are held in a "nominee" or "street" name.

## ITEM 6. SELECTED FINANCIAL DATA

(thousands except per share amounts)	1997	1996	1995	1994	1993
Statement of Operations data:					
Net sales.....	\$1,243,494	\$ 1,193,786	\$ 941,546	\$ 773,474	\$ 666,319
Net income.....	178,219	171,901	119,270	74,496	44,457
Net income per share.....	1.04	1.03	.75	.48	.29
Balance Sheet data:					
Total assets.....	\$1,763,853	\$ 1,508,272	\$ 993,349	\$ 813,088	\$ 676,179
Long-term debt and non-current obligations under capital leases.....	348,852	353,666	80,000	80,061	100,297

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

The information required by this item is incorporated herein by reference to the "Management Analysis" set forth on pages 1 through 7 of the 1997 Annual Report to Shareholders and is filed herewith as part of Exhibit 13.1.

## ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to the "Management Analysis" set forth on pages 1 through 7 of the 1997 Annual Report to Shareholders and is filed herewith as part of Exhibit 13.1.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated herein by reference to the Company's 1997 Annual Report to Shareholders under the headings "Financial Section - Consolidated Statements of Income, - Consolidated Balance Sheets, - Consolidated Statements of Stockholders' Equity, - Consolidated Statements of Cash Flows, - Notes to Consolidated Financial Statements, - Report of Ernst & Young LLP, Independent Auditors and - Supplementary Financial Information," and is filed herewith as Exhibit 13.2.

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

Not applicable.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The response to this item is contained in part under the caption "EXECUTIVE OFFICERS OF THE COMPANY" in Part I hereof, and the remainder is contained in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on March 10, 1998 (the "1998 Proxy Statement") under the caption "Election of Directors" and is incorporated herein by reference. Information relating to a delinquent filing of a Form 4 by an Executive Officer of the Company is contained in the Company's 1998 Proxy Statement under the caption "Beneficial Ownership Reporting Compliance."

## ITEM 11. EXECUTIVE COMPENSATION

The response to this item is contained in the Company's 1998 Proxy Statement under the captions "Directors' Compensation," "Executive Compensation," and "Severance and Other Agreements," and is incorporated herein by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this item is contained in the Company's 1998 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The response to this item is contained in the Company's 1998 Proxy Statement under the caption "Transactions with Directors," and is incorporated herein by reference.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

## (a) 1. FINANCIAL STATEMENTS

The following consolidated financial statements are included in the Company's 1997 Annual Report and are incorporated herein by reference pursuant to Item 8:

- Consolidated Statements of Income for the years ended November 1, 1997, November 2, 1996 and October 28, 1995
- Consolidated Balance Sheets as of November 1, 1997, November 2, 1996 and October 28, 1995
- Consolidated Statements of Stockholders' Equity for the years ended November 1, 1997, November 2, 1996 and October 28, 1995
- Consolidated Statements of Cash Flows for the years ended November 1, 1997, November 2, 1996 and October 28, 1995

## (a) 2. FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedule is included in Item 14(d):

## Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

## (a) 3. LISTING OF EXHIBITS

EXHIBIT NO. ---	DESCRIPTION -----
3.1	Restated Articles of Organization of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form S-8 filed on May 30, 1996 and incorporated herein by reference.
+ 3.2	By-laws of Analog Devices, Inc. as amended.
4.1	Rights Agreement, as amended, between Analog Devices, Inc. and The First National Bank of Boston, as Rights Agent, filed as an exhibit to a Form 8 filed on June 27, 1989 amending the Registration Statement on Form 8-A relating to Common Stock Purchase Rights, and incorporated herein by reference.
4.2	Indenture dated as of March 1, 1993 between Analog Devices, Inc. and The First National Bank of Boston, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
4.3	Indenture dated as of December 18, 1995 between Analog Devices, Inc. and State Street Bank and Trust Company, as Trustee, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 28, 1995 and incorporated herein by reference.
* 4.4	Analog Devices, Inc. Deferred Compensation Plan, filed as an exhibit to a Form S-8 filed on December 8, 1995 and incorporated herein by reference, as amended by Amendment No. 1 and Amendment No. 2, filed as Exhibits to Post-Effective Amendment No. 1 to Form S-8 filed on April 5, 1997, and Amendment No. 3, filed as an Exhibit to Post-Effective Amendment No. 2 to form S-8 filed on November 12, 1997.
* + 10.1	Bonus Plan of Analog Devices, Inc.
* 10.2	1991 Restricted Stock Plan of Analog Devices, Inc., filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference

EXHIBIT NO. ---	DESCRIPTION -----
* 10.3	1980 Stock Option Plan of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
* 10.4	Restated 1988 Stock Option Plan of Analog Devices, Inc., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 3, 1997 and incorporated herein by reference.
* 10.5	1989 Director Stock Option Plan of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
* + 10.6	1992 Director Option Plan of Analog Devices, Inc.
* 10.7	1994 Director Option Plan of Analog Devices, Inc., as amended, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 1, 1997 and incorporated herein by reference.
+ 10.8	Amended and restated lease agreement dated May 1, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust relating to the premises at 3 Technology Way, Norwood, Massachusetts.
10.9	Guaranty dated as of May 1, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended April 30, 1994 and incorporated herein by reference.
10.10	Letter Agreement dated as of May 18, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended April 30, 1994 and incorporated herein by reference.
+ 10.11	Reimbursement Agreement dated May 18, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust.
10.12	Lease agreement dated August 8, 1990 between Precision Monolithics, Inc. and Bourns, Inc. relating to the premises at 1525 Comstock Road, Santa Clara, California, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
10.13	Lease amendment dated May 1, 1996 to the Lease Agreement dated August 8, 1990 between Analog Devices, Inc. and Bourns, Inc., relating to premises located at 1525 Comstock Road, Santa Clara, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.
10.14	Lease agreement dated August 8, 1990, as amended, between Precision Monolithics, Inc. and Bourns, Inc. relating to the premises at 1500 Space Park Drive, Santa Clara, California, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
10.15	Lease amendment dated May 1, 1996 to the Lease Agreement dated August 8, 1990 between Analog Devices, Inc. and Bourns, Inc., relating to premises located at 1500 Space Park Drive, Santa Clara, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.

EXHIBIT NO. ---	DESCRIPTION -----
10.16	Credit Agreement dated as of March 12, 1993 among Analog Devices, Inc. and Morgan Guaranty Trust Company of New York, Bank of America National Trust and Savings Association, Continental Bank, N.A., The First National Bank of Boston and Morgan Guaranty Trust Company of New York, as Agent, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 1, 1993 and incorporated herein by reference.
10.17	Amendment No. 1 dated as of May 18, 1993 to the Company's Credit Agreement dated March 12, 1993, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 31, 1993 and incorporated herein by reference.
10.18	Amendment No. 2 dated as of September 8, 1994 to the Company's Credit Agreement dated March 12, 1993, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
10.19	Amendment No. 3 dated as of October 25, 1996 to the Company's Credit Agreement dated March 12, 1993, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
* + 10.20	Form of Employee Retention Agreement, as amended.
* 10.21	Employee Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's 10-K for the fiscal year ended October 30, 1993 and incorporated herein by reference.
* 10.22	Senior Management Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as an exhibit to the Company's 10-K for the fiscal year ended October 30, 1993 and incorporated herein by reference.
* 10.23	Description of Consulting Arrangement between Analog Devices, Inc. and John L. Doyle, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
* 10.24	Letter agreement between Analog Devices, Inc. and Jerald G. Fishman dated December 15, 1994 relating to acceleration of stock options and restricted stock awards upon termination of employment, filed as an exhibit to the Company's Form 10-K for the fiscal year ended October 29, 1994 and incorporated herein by reference.
** 10.25	Option Agreement dated as of May 16, 1995 between Analog Devices B.V. and Taiwan Semiconductor Manufacturing Company, Ltd., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 29, 1995 and incorporated herein by reference.
** 10.26	Wafer Production Agreement dated as of May 16, 1995 between Taiwan Semiconductor Manufacturing Company, Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 29, 1995 and incorporated herein by reference.
10.27	Lease Agreement dated June 16, 1995 between Analog Devices, Inc. and Ferrari Brothers, relating to the premises at 610 Weddell Drive, Sunnyvale, California, filed as an exhibit to the Company's Form 10-K for the fiscal year ended November 2, 1996 and incorporated herein by reference.
10.28	Lease amendment dated March 1, 1996 to the Lease Agreement dated June 16, 1995 between Analog Devices, Inc. and Ferrari Brothers, relating to premises located at 610 Weddell Drive, Sunnyvale, California, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended May 4, 1996 and incorporated herein by reference.

EXHIBIT NO. ---	DESCRIPTION -----
** 10.29	Manufacturing Agreement dated as of March 17, 1995 between Chartered Semiconductor Manufacturing Pte. Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
** 10.30	Deposit Agreement dated January 30, 1996 between Chartered Semiconductor Manufacturing Pte. Ltd. and Analog Devices B.V., filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
10.31	Lease Agreement dated February 8, 1996 between Analog Devices, Inc. and Massachusetts Institute of Technology, relating to premises located at 21 Osborn Street, Cambridge, Massachusetts, filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended February 3, 1996 and incorporated herein by reference.
** 10.32	Amended and Restated Limited Liability Company Agreement of WaferTech, LLC, a Delaware limited liability company, dated as of August 9, 1996. Filed as Exhibit 10.47 to the Form 10-Q of Altera Corporation (File No. 0-16617) for the fiscal quarter ended June 30, 1996, and incorporated herein by reference.
** 10.33	Purchase Agreement by and between Taiwan Semiconductor Manufacturing Co., Ltd., as seller and Analog Devices, Inc., Altera Corporation and Integrated Silicon Solutions, Inc., as buyers dated as of June 25, 1996. Filed as Exhibit 10.48 to the Form 10-Q of Altera Corporation (File No. 0-16617) for the fiscal quarter ended June 30, 1996, and incorporated herein by reference.
* 10.34	Trust Agreement for Deferred Compensation Plan, filed as an exhibit to the Company's Post Effective Amendment No. 2 to Form S-3 filed November 12, 1997 and incorporated herein by reference.
+ 10.35	Lease agreement dated September 19, 1996 between Ren Min Company Limited and Analog Devices Taiwan, Limited relating to the premises at Five-Kung-Five Road, Taipei, Taiwan.
+ 11.1	Computation of Earnings Per Share.
+ 13.1	Management Analysis incorporated by reference to pages 1 through 7 of the 1997 Annual Report to Shareholders.
+ 13.2	Financial Statements and Notes thereto, Report of Ernst & Young LLP, Independent Auditors and Supplementary Financial Information, incorporated by reference to pages 8 through 33 of the 1997 Annual Report to Shareholders.
+ 21	Subsidiaries of the Company.
+ 23	Consent of Ernst & Young LLP.
27	Financial Data Schedule.
* -----	Management contracts and compensatory plan or arrangements required to be filed as an Exhibit pursuant to Item 14(c) of Form 10-K.
**	Confidential treatment has been granted as to certain portions of these Exhibits.
+	Filed herewith.
(b)	REPORTS ON FORM 8-K
	The Company filed no reports on Form 8-K with the Securities and Exchange Commission during the fiscal quarter ended November 1, 1997.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANALOG DEVICES, INC.  
(Registrant)

By: /s/ Jerald G. Fishman ----- Jerald G. Fishman President Chief Executive Officer and Director (Principal Executive Officer)	By: /s/ Joseph E. McDonough ----- Joseph E. McDonough Vice President-Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
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Date: JANUARY 28, 1998 -----	Date: JANUARY 28, 1998 -----
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Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME ----	TITLE -----	DATE ----
/s/ Ray Stata ----- Ray Stata	Chairman of the Board	JANUARY 28, 1998 -----
/s/ Jerald G. Fishman ----- Jerald G. Fishman	President, Chief Executive Officer and Director	JANUARY 28, 1998 -----
/s/ John L. Doyle ----- John L. Doyle	Director	JANUARY 28, 1998 -----
/s/ Samuel H. Fuller ----- Samuel H. Fuller	Director	JANUARY 28, 1998 -----
/s/ Charles O. Holliday ----- Charles O. Holliday	Director	JANUARY 28, 1998 -----
/s/ Gordon C. McKeague ----- Gordon C. McKeague	Director	JANUARY 28, 1998 -----
/s/ Joel Moses ----- Joel Moses	Director	JANUARY 28, 1998 -----
/s/ F. Grant Saviers * ----- F. Grant Saviers	Director	JANUARY 28, 1998 -----
/s/ Lester C. Thurow ----- Lester C. Thurow	Director	JANUARY 28, 1998 -----

\* Became a member of the Board of Directors on December 10, 1997 and, accordingly, did not serve as a Director during fiscal 1997.

ANALOG DEVICES, INC.  
ANNUAL REPORT ON FORM 10-K  
YEAR ENDED NOVEMBER 1, 1997  
ITEM 14(d)  
FINANCIAL STATEMENT SCHEDULE

ANALOG DEVICES, INC.  
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
 YEARS ENDED NOVEMBER 1, 1997, NOVEMBER 2, 1996 AND OCTOBER 28, 1995  
 (THOUSANDS)

DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	ADDITION CHARGED TO EXPENSE -----	DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
ACCOUNTS RECEIVABLE RESERVES AND ALLOWANCES:				
Year ended October 28, 1995*	\$ 9,185 =====	\$ 5,952 =====	\$ 2,399 =====	\$ 12,738 =====
Year ended November 2, 1996*	\$ 12,738 =====	\$ 2,611 =====	\$ 564 =====	\$ 14,785 =====
Year ended November 1, 1997	\$ 14,785 =====	\$ 25,456 =====	\$ 234 =====	\$ 40,007 =====

\* Amounts have been restated to reflect reclassification of certain reserves from Accrued liabilities to Accounts receivable.

## ANALOG DEVICES, INC.

## BY-LAWS

## ARTICLE I- STOCKHOLDERS

1. PLACE OF MEETINGS. All meetings of stockholders shall be held within Massachusetts unless the Articles of Organization permit the holding of stockholder meetings outside Massachusetts, in which event such meetings may be held either within or without Massachusetts. Meetings of stockholders shall be held at the principal office of the corporation unless a different place is fixed by the Directors or the President and stated in the notice of the meeting.

2. ANNUAL MEETINGS. The annual meeting of stockholders shall be held on such date, within six months after the end of the fiscal year of the corporation, and at such hour and place as shall be fixed by the Board of Directors of the corporation. The purposes for which the annual meeting is to be held, in addition to those prescribed by law, by the Articles of Organization or by these By-Laws, may be specified by the Board of Directors or the President.

3. SPECIAL MEETINGS. Special meetings of stockholders may be called by the President or by the Board of Directors. In addition, upon written application of one or more stockholders who are entitled to vote and who hold at least the Required Percentage (as defined below) of the capital stock entitled to vote at the meeting (the "Voting Stock"), special meetings shall be called by the Clerk, or in case of the death,

absence, incapacity or refusal of the Clerk, by any other officer. For purposes of this Section 3, the "Required Percentage" shall be 80% or such lesser percentage as shall constitute the maximum percentage permitted by law for this purpose. Any request for a call of a special meeting of stockholders ("Call") by the holders of the Required Percentage of the Voting Stock shall be governed by and subject to the following:

(a) Any stockholder of record seeking to solicit requests for a Call pursuant to this Section 3 shall so notify the Clerk of the corporation in writing, and such written notification shall set forth the reason or reasons for the Call and the purpose or purposes of such special meeting.

(b) No solicitation of stockholder requests for a Call ("Call Solicitation") may be commenced (i) before the Call Request Record Date, as defined in paragraph (c) of this Section 3, or (ii) during the period of 120 days following the most recent meeting of the stockholders of the corporation.

(c) In order that the corporation may determine the stockholders entitled to request a Call, the Board of Directors of the corporation shall fix a record date (the "Call Request Record Date"). Any stockholder of record seeking to solicit stockholder requests for a Call shall, with delivery to the corporation of the written information specified in paragraph (a), request in writing that the Board of Directors fix the Call Request Record Date. The Board of Directors shall, within 10 days after the date on which such request is received, adopt a resolution fixing the Call Request Record Date, and such Call Request Record Date shall be not more than 10 days after the date upon which such resolution is adopted by the Board of Directors.

(d) All requests for a Call and revocations thereof shall be delivered to the corporation no later than the 30th day (the "Delivery Date") after the Call Request Record Date.

(e) Any stockholder may revoke a prior request for a Call or opposition to a Call by an instrument in writing delivered prior to the Delivery Date.

(f) Promptly after the Delivery Date, requests for a Call and revocations thereof shall be counted and verified by an independent party selected by the corporation.

(g) If, in response to any Call Solicitation, the holders of record of the Required Percentage of the Voting Stock as of the Call Request Record Date submit valid and unrevoked requests for a Call no later than the Delivery Date, the Board of Directors of the corporation shall fix a record date pursuant to Section 4 of Article I hereof and a meeting date for the special meeting, PROVIDED that the date to be fixed for such meeting shall be no earlier than 60 days or later than 90 days after the Delivery Date, and PROVIDED FURTHER that the Board of Directors shall not be obligated to fix a meeting date or to hold any meeting of stockholders within 60 days of the next scheduled meeting of the stockholders of the corporation.

(h) In the absence of a quorum at any special meeting called pursuant to a Call Solicitation, such special meeting may be postponed or adjourned from time to time only by the officer of the corporation entitled to preside at such meeting.

(i) If a Call Solicitation does not receive the support of the holders of record of the Required Percentage of the Voting Stock, no subsequent Call may be

made or solicited by any stockholder during a period of 90 days after the Delivery Date.

4. NOTICE OF MEETINGS. Except as provided in Section 3 of this Article I, a written notice of every meeting of stockholders, stating the place, date and hour thereof, and the purposes for which the meeting is to be held, shall be given by the Clerk or other person calling the meeting at least seven days before the meeting to each stockholder entitled to vote thereat and to each stockholder who, by law, by the Articles of Organization or by these By-Laws, is entitled to such notice, by leaving such notice with him or at his residence or usual place of business, or by mailing it postage prepaid and addressed to him at his address as it appears upon the books of the corporation. Whenever any notice is required to be given to a stockholder by law, by the Articles of Organization or by these By-Laws, no such notice need to be given if a written waiver of notice, executed before or after the meeting by the stockholder or his attorney thereunto duly authorized, is filed with the records of the meeting.

5. QUORUM. Unless the Articles of Organization otherwise provide, a majority in interest of all stock issued, outstanding and entitled to vote on any matter shall constitute a quorum with respect to that matter, except that if two or more classes of stock are outstanding and entitled to vote as separate classes, then in the case of each such class a quorum shall consist of a majority in interest of the stock of that class issued, outstanding and entitled to vote.

6. ADJOURNMENTS. Except as provided in Section 3 of this Article I, any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws by the stockholders present or represented at the meeting, although less than a quorum, or by any officer entitled to preside or to act as clerk of such meeting, if no stockholder is present. It shall not be necessary to notify any stockholder of any adjournment. Any business which could have been transacted at any meeting of the stockholders as originally called may be transacted at any adjournment thereof.

7. VOTING AND PROXIES. Each stockholder shall have one vote for each share of stock entitled to vote held by him of record according to the records of the corporation and a proportionate vote for a fractional share so held by him, unless otherwise provided by the Articles of Organization. Stockholders may vote either in person or by written proxy dated not more than six months before the meeting named therein. Proxies shall be filed with the clerk of the meeting, or of any adjournment thereof, before being voted. Except as otherwise limited therein, proxies shall entitle the persons named therein to vote at any adjournment of such meeting, but shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them, unless at or prior to exercise of the proxy the corporation receives a specific written notice to the contrary from any one of them. A proxy purported to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise.

8. ACTION AT MEETING. When a quorum is present, the holders of a majority of the stock present or represented and voting on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the stock of that class present or represented and voting on a matter), except where a larger vote is required by law, the Articles of Organization or these By-Laws, shall decide any matter to be voted on by the stockholders. Any election by stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election. No ballot shall be required for such election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election. The corporation shall not directly or indirectly vote any share of its stock.

9. ACTION WITHOUT MEETING. Any action to be taken by stockholders may be taken without a meeting if all stockholders entitled to vote on the matter consent to the action by a writing filed with the records of the meetings of stockholders. Such consent shall be treated for all purposes as a vote at a meeting.

#### ARTICLE II - DIRECTORS

1. POWERS. The business of the corporation shall be managed by a Board of Directors who may exercise all the powers of the corporation except as otherwise provided by law, by the Articles of Organization or by these By-Laws. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

2. NUMBER OF DIRECTORS, ELECTION. The number of Directors of the corporation, which shall not be less than three, shall be fixed from time to time by a majority of the Directors then in office. Elections of Directors need not be by written ballot except as and to the extent provided in the By-Laws of the corporation.

3. CLASSES OF DIRECTORS. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one Director more than any other class. If a fraction is contained in the quotient arrived at by dividing the authorized number of Directors by three, then if such fraction is one-third, the extra Director shall be a member of Class III and, if such fraction is two-thirds, one of the extra Directors shall be a member of Class III and one of the extra Directors shall be a member of Class II, unless otherwise provided for from time to time by vote adopted by a majority of the Directors then in office.

4. TERMS OF OFFICE. Each Director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such Director was elected; provided, however, that each initial Director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the corporation's fiscal year 1990; each initial Director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the corporation's fiscal year 1991; and each initial Director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the corporation's fiscal year 1992. Notwithstanding any provisions to the contrary contained herein, each Director shall

serve until a successor is elected and qualified or until his death, resignation or removal.

5. ENLARGEMENT OF THE BOARD; VACANCIES. The number of Directors constituting the Board of Directors may be increased solely by vote of a majority of the Directors then in office, even though less than a quorum. Any vacancies in the Board of Directors occurring for any reason and any newly created directorships resulting from any increase in the number of Directors shall be filled solely by the Board of Directors acting by the vote of a majority of the Directors then in office, even though less than a quorum. Each Director chosen to fill a vacancy shall hold office until the next election of the class for which such Director shall have been chosen and until his successor shall be elected and qualified or until his earlier death, resignation or removal.

6. ALLOCATION OF DIRECTORS AMONG CLASSES. In the event of any increase or decrease in the authorized number of Directors, (a) each Director then serving as such shall nevertheless continue as Director of the class of which he is a member until the expiration of his current term or his prior death, retirement or resignation and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of Directors so as to ensure that no one class has more than one Director more than any other class. To the extent possible, consistent with the foregoing, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be

subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the Directors then in office, although less than a quorum.

7. QUORUM; ACTION OF MEETING. A majority of the Directors at any time in office shall constitute a quorum for the transaction of business and, if at any meeting of the Board of Directors there shall be less than such a quorum, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number be required by law, by the Articles of Organization of the corporation or by these By-Laws.

8. RESIGNATIONS. Any Director may resign by delivering his written resignation to the corporation's President, Clerk or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

9. REMOVAL. A Director may be removed from office (a) with or without cause by vote of a majority of the stockholders entitled to vote in the election of Directors, provided that the Directors of a class elected by a particular class of stockholders may be removed only by the vote of the holders of a majority of the shares of such class or (b) for cause by vote of a majority of the Directors then in

office. A Director may be removed for cause only after reasonable notice and opportunity to be heard before the body proposing to remove him.

10. MEETINGS. Regular meetings of the Directors may be held without call or notice at such places, within or without Massachusetts, and at such times as the Directors may from time to time determine, provided that any Director who is absent when such determination is made shall be given notice of the determination. A regular meeting of the Directors may be held without a call or notice at the same place as the annual meeting of stockholders, or the special meeting held in lieu thereof, following such meeting of stockholders.

Special meetings of the Directors may be held at any time and place, within or without Massachusetts, designated in a call by the President, Treasurer or two or more Directors.

11. NOTICE OF SPECIAL MEETINGS. Notice of all special meetings of the Directors shall be given to each Director by the Secretary, or if there be no Secretary, by the Clerk, or Assistant Clerk, or in case of the death, absence, incapacity or refusal of such persons, by the officer or one of the Directors calling the meeting. Notice shall be given to each Director in person or by telephone or by telegram sent to his business or home address at least forty-eight hours in advance of the meeting, or by written notice mailed to his business or home address at least seventy-two hours in advance of the meeting. Notice need not be given to any Director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any Director who attends the meeting without protesting prior thereto

or at its commencement the lack of notice to him. A notice or waiver of notice of a Directors' meeting need not specify the purposes of the meeting.

12. ACTION AT MEETING. At any meeting of the Directors at which a quorum is present, the vote of a majority of those present, unless a different vote is specified by law, by the Articles of Organization or by these By-Laws, shall be sufficient to take any action.

13. ACTION OF CONSENT. Any action by the Directors may be taken without a meeting if a written consent thereto is signed by all the Directors and filed with the records of the Directors' meetings. Such consent shall be treated as a vote of the Directors for all purposes.

14. COMMITTEES. The Directors may, by vote of a majority of the Directors then in office, elect from their number an executive committee or other committees and may by like vote delegate thereto some or all of their powers except those which by law, the Articles of Organization or these By-Laws they are prohibited from delegating. Except as the Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Directors or in such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these By-Laws for the Directors.

15. MASSACHUSETTS LAW. To the extent that any of the provisions in this Article II relating to the classification of Directors conflicts or is inconsistent with any of the provisions of Section 50A of Chapter 156B of the General Laws of the

Commonwealth of Massachusetts, as amended from time to time, the provisions of Section 50A shall govern and control.

ARTICLE III - OFFICERS

1. ENUMERATION. The officers of the corporation shall consist of a President, a Treasurer, a Clerk, and such other officers, including a Chairman of the Board, one or more Vice Presidents, Assistant Treasurers, Assistant Clerks and Secretary as the Directors may determine.

2. ELECTION. The President, Treasurer and Clerk shall be elected annually by the Directors at their first meeting following the annual meeting of stockholders. Other officers may be appointed by the Directors at such meeting or at any other meeting.

3. QUALIFICATION. The President shall be a Director. No officer need be a stockholder. Any two or more offices may be held by the same person, provided that the President and Clerk shall not be the same person. The Clerk shall be a resident of Massachusetts unless the corporation has a resident agent appointed for the purpose of service of process. Any officer may be required by the Directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the Directors may determine.

4. TENURE. Except as otherwise provided by law, by the Articles of Organization or by these By-Laws, the President, Treasurer and Clerk shall hold office until the first meeting of the Directors following the annual meeting of stockholders and thereafter until his successor is chosen and qualified; and all other

officers shall hold office until the first meeting of the Directors following the annual meeting of stockholders, unless a different term is specified in the vote choosing or appointing them. Any officer may resign by delivering his written resignation to the corporation at its principal office or to the President, Clerk or Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

5. REMOVAL. The Directors may remove any officer with or without cause by a vote of a majority of the entire number of Directors then in office, provided, that an officer may be removed for cause only after reasonable notice and opportunity to be heard by the Board of Directors prior to action thereon.

6. CHAIRMAN OF THE BOARD. The Directors may appoint a Chairman of the Board and may designate him as Chief Executive Officer. If the Directors appoint a Chairman of the Board, he shall perform such duties and shall possess such powers as are assigned to him by the Board of Directors. If the Board of Directors shall designate the Chairman as Chief Executive Officer, he shall have general charge and supervision of the business of the corporation, subject to the direction of the Directors. The Chairman of the Board shall, when present, preside at all meetings of the Directors.

7. PRESIDENT. Unless the Directors have designated the Chairman of the Board or another officer as Chief Executive Officer, the President shall be the Chief Executive Officer of the corporation and shall have general charge and supervision of the business of the corporation. The President shall perform such other duties and

shall possess such other powers as the Board of Directors may from time to time prescribe.

8. VICE PRESIDENT. The Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and shall have such other powers as the Directors may from time to time prescribe.

9. TREASURER AND ASSISTANT TREASURERS. The Treasurer shall, subject to the direction of the Directors, have general charge of the financial affairs of the corporation and shall cause to be kept accurate books of account. He shall have custody of all funds, securities and valuable documents of the corporation, except as the Directors may otherwise provide.

The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and shall have such other powers as the Directors may from time to time prescribe.

10. CLERK AND ASSISTANT CLERKS. The Clerk shall keep a record of the meetings of stockholders. Unless a Transfer Agent is appointed, the Clerk shall keep or cause to be kept in Massachusetts, at the principal office of the corporation or at his office, the stock and transfer records of the corporation, in which are contained

the names of all stockholders and the record address, and the amount of stock held by each.

If there is no Secretary or Assistant Secretary, the Clerk shall keep a record of the meetings of the Directors.

The Assistant Clerk, or if there shall be more than one, the Assistant Clerks in the order determined by the Directors, shall, in the absence or disability of the Clerk, perform the duties and exercise the powers of the Clerk and shall perform such other duties and shall have such other powers as the Directors may from time to time prescribe.

11. SECRETARY AND ASSISTANT SECRETARIES. If a Secretary is appointed, he shall attend all meetings of the Directors and shall keep a record of the meetings of the Directors. He shall, when required, notify the Directors of their meetings, and shall have such other powers and shall perform such other duties as the Directors may from time to time prescribe.

The Assistant Secretary, or if there shall be more than one, the Assistant Secretaries in the order determined by the Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and shall have such other powers as the Directors may from time to time prescribe.

12. OTHER POWERS AND DUTIES. Each officer shall, subject to these By-Laws, have in addition to the duties and powers specifically set forth in these By-Laws,

such duties and powers as are customarily incident to his office, and such duties and powers as the Directors may from time to time designate.

ARTICLE IV - CAPITAL STOCK

1. CERTIFICATES OF STOCK. Each stockholder shall be entitled to a certificate of the capital stock of the corporation in such form as may be prescribed from time to time by the Directors. The certificate shall be signed by the President or a Vice President, and by the Treasurer or an Assistant Treasurer, but when a certificate is countersigned by a transfer agent or a registrar, other than a Director, officer or employee of the corporation, such signatures may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the time of its issue.

Every certificate for shares of stock which are subject to any restriction on transfer pursuant to the Articles of Organization, the By-Laws or any agreement to which the corporation is a party, shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restrictions and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text of the preferences, voting powers, qualifications and specifications and special and relative rights of the shares of each class and series authorized to be issued or a statement of the existence

of such preferences, powers, qualifications and rights and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

2. TRANSFERS. Subject to the restrictions, if any, stated or noted on the stock certificates, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Articles of Organization or by these By-Laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the corporation in accordance with the requirements of these By-Laws.

It shall be the duty of each stockholder to notify the corporation of his post office address and of his taxpayer identification number.

3. RECORD DATE. The Directors may fix in advance a time not more than sixty days preceding the date of any meeting of stockholders or the date for the payment of any dividend or the making of any distribution to stockholders or the last day on which the consent or dissent of stockholders may be effectively expressed for

any purpose, as the record date for determining the stockholders having the right to notice of and to vote at such meeting, and any adjournment thereof, or the right to receive such dividend or distribution or the right to give such consent or dissent. In such case only stockholders of record on such record date shall have such right, notwithstanding any transfer of stock on the books of the corporation after the record date. Without fixing such record date the Directors may for any of such purposes close the transfer books for all or any part of such period.

4. REPLACEMENT OF CERTIFICATES. In case of the alleged loss or destruction or the mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the Directors may prescribe, including the presentation of reasonable evidence of such loss, destruction or mutilation and the giving of such indemnity as the Directors may require for the protection of the corporation or any transfer agent or registrar.

5. ISSUE OF CAPITAL STOCK. Unless otherwise voted by the stockholders, the whole or any part of any unissued balance of the authorized capital stock of the corporation or the whole or any part of the capital stock of the corporation held in its treasury may be issued or disposed of by vote of the Directors, in such manner, for such consideration and on such terms as the Directors may determine.

#### ARTICLE V - MISCELLANEOUS PROVISIONS

1. FISCAL YEAR. Except as from time to time otherwise determined by the Directors, the fiscal year of the corporation shall be the 52 or 53 week period, as the case may be, ending on the Saturday which is closest to the last day of October.

2. SEAL. The seal of the corporation shall, subject to alteration by the Directors, bear its name, the word "Massachusetts," and the year of its incorporation.

3. EXECUTION OF INSTRUMENTS. All deeds, leases, transfers, contracts, bonds, notes and other obligations authorized to be executed by an officer of the corporation in its behalf shall be signed by the President or the Treasurer except as the directors may generally or in particular cases otherwise determine.

4. VOTING OF SECURITIES. Except as the Directors may otherwise designate, the President or Treasurer may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney in fact for, this corporation (with or without power of substitution) at any meeting of stockholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

5. CORPORATE RECORDS. The original, or attested copies, of the Articles of Organization, By-Laws and records of all meetings of the incorporators and stockholders, and the stock and transfer records, which shall contain the names of all stockholders and the record address and the amount of stock held by each, shall be kept in Massachusetts at the principal office of the corporation, or at an office of its transfer agent or of the Clerk. Said copies and records need not all be kept in the same office. They shall be available at all reasonable times to the inspection of any stockholder for any proper purpose, but not to secure a list of stockholders for the purpose of selling said list or copies thereof or of using the same for a purpose other than in the interest of the applicant, as a stockholder, relative to the affairs of the corporation.

6. EVIDENCE OF AUTHORITY. A certificate by the Clerk or Secretary, or an Assistant Clerk or Assistant Secretary, or a temporary Clerk or temporary Secretary, as to any action taken by the stockholders, Directors, Executive Committee or any officer or representative of the corporation shall as to all persons who rely thereon in good faith be conclusive evidence of such action.

7. ARTICLES OF ORGANIZATION. All reference in these By-Laws to the Articles of Organization shall be deemed to refer to the Articles of Organization of the corporation, as amended and in effect from time to time.

8. TRANSACTIONS WITH INTERESTED PARTIES. In the absence of fraud, no contract or other transaction between this corporation and any other corporation or any firm, association, partnership or person shall be affected or invalidated by the fact that any Director or officer of this corporation is pecuniarily or otherwise interested in or is a director, member or officer of such other corporation or of such firm, association or partnership or is a party to or is pecuniarily or otherwise interested in such contract or other transaction or is in any way connected with any person or persons, firm, association, partnership or corporation pecuniarily or otherwise interested therein; provided that the fact that he individually or as a director, member or officer of such corporation, firm, association or partnership is such a party or is so interested shall be disclosed to or shall have been known by the Board of Directors or a majority of such members thereof as shall be present at a meeting of the Board of Directors at which action upon any such contract or transaction shall be taken; any Director may be counted in determining the existence

of a quorum and may vote at any meeting of the Board of Directors of this corporation for the purpose of authorizing any such contract or transaction with like force and effect as if he were not so interested, or were not a director, member or officer of such other corporation, firm, association or partnership, provided that any vote with respect to such contract or transaction must be adopted by a majority of the Directors then in office who have no interest in such contract or transaction.

9. AMENDMENTS. These By-Laws may be amended by the affirmative vote of the holders of a majority of the shares of each class of capital stock at the time outstanding and entitled to vote at any annual or special meeting of stockholders, provided that notice of the substance of the proposed amendment is stated in the notice of such meeting. If authorized by the Articles of Organization, the Directors, by a majority of their number then in office, may also make, amend or repeal these By-Laws, in whole or in part, except with respect to (a) the provisions of these By-Laws governing (i) the removal of Directors, (ii) the indemnification of Directors and (iii) the amendment of these By-Laws and (b) any provision of these By-Laws which by law, the Articles of Organization or these By-Laws requires action by the stockholders.

Not later than the time of giving notice of the meeting of stockholders next following the making, amending or repealing by the Directors of any By-Law, notice thereof stating the substance of such change shall be given to all stockholders entitled to vote on amending the By-Laws.

Any By-Law adopted by the Directors may be amended or repealed by the stockholders entitled to vote on amending the By-Laws.

10. MASSACHUSETTS CONTROL SHARE ACQUISITION ACT. The provisions of Chapter 110D of the Massachusetts General Laws shall not apply to any "control share acquisition" of the corporation (as such term is defined in such Chapter 110D).

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ANALOG  
DEVICES

FY98 BONUS PLAN

Sharing the Company's Success

- TEAMWORK
- IMPROVEMENT
- REWARD
- CONTRIBUTION

Analog Devices is committed to sharing its success with the people who make it possible -- our employees. The aim of the Bonus Plan is to encourage participation by all of us in achieving company goals and to share the rewards of our success.

Ray Stata  
Chairman

Jerry Fishman  
President

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U.S.-BASED EMPLOYEES

**PURPOSE OF THE BONUS PLAN** The intent of ADI's Corporate Bonus Plan is to encourage employees to work together toward the company-wide goal of strong financial performance. Continuous improvement in the Company's performance, which can be influenced by all employees, results in a reward for employees and ADI shareholders alike.

**MEASURING ANALOG'S SUCCESS** In FY1998 the Corporate Bonus Plan design will continue to focus attention on both profitability, as measured by Operating Profit Before Taxes (OPBT), and sales growth. In order for ADI to become a multi-billion dollar company, rapid growth as well as sustained profitability are both equally critical success factors. The FY1998 Bonus payment formula is designed to emphasize the importance of these goals.

**FY1997 BONUS AND FY1998 GOALS** During FY1997 Analog earned Net Income of \$178million and paid \$25million in bonuses to its employees. During a difficult year ADI's financial performance was good, as a result of the significant efforts made by employees. This level of bonus payment represented a significant level of profit sharing with employees.

For FY1998 we believe that the opportunity exists for sales growth to resume at 20-25% above last year's levels. This level of growth would result in net income more than 30% greater than that in FY1997.

If this goal is achieved, employees will see about a 50% increase in their bonus payments over FY1997.

**BONUS PAYMENT FORMULA** The level at which the FY1998 ADI Bonus Plan will potentially pay has been altered to better respond to the critical business goals established by the Senior Management Team. As such, the payout "curve" will now produce a 2.0x target payout when the combination of OPBT and revenue growth equals 25%, rather than the previous formula which would have produced a 2.0x payout at the 20% combined level. This change recognizes the fact that there is both the opportunity and the imperative to achieve this level of performance in the product areas and markets we serve, in order to be competitive and maintain ADI's position as both a technology leader and also as an above average company in which to invest. The maximum Bonus payout factor remains 2.5 times target.

The enclosed chart illustrates how the revised bonus formula works in relation to business results.

One-half of the Bonus payout factor is driven by sales growth over the same period last year, and one-half by Operating Profit in the Bonus Period. For bonus purposes, Bonus Period 1 consists of Q1 and Q2, and Bonus Period 2 consists of Q3 and Q4. A bonus will be paid semiannually, in June and December, if Analog's

performance is sufficient to earn a bonus. The payout factor is determined by combining the sales growth rate and the OPBT level for the period. For example, if sales growth for Q1/Q2 were 15% and OPBT 20%, then the combined payout factor for the period would be 1.4 times target.

**YOUR BONUS TARGET** Your ADI Bonus Target is based upon your job grade level. This target represents a percentage of your regular earnings paid during the bonus period. The bonus targets are:

GRADE LEVEL	BONUS TARGET	POTENTIAL RANGE
Non-Exempt	4%	0 - 10%
E02 - E06	4%	0 - 10%
E07 - E08	6%	0 - 15%
E09 - E10	8%	0 - 20%
E11 - E14	15%	0 - 38%
E15 - E16	20%	0 - 50%

#### YOUR BONUS PAYMENT

At the end of each bonus period, a payout factor is computed from the payout model based upon OPBT and sales growth for the period. When ADI's business results warrant it, you will receive a bonus payment. The payment is calculated by multiplying your accumulated regular earnings paid in the bonus period by the bonus target that corresponds to your job grade level in effect at the end of the bonus period. The product of that calculation is then multiplied by the payout factor to provide the gross bonus payment amount.

#### EXAMPLE

Accumulated regular earnings for the Bonus Period	=	\$15,000
Bonus target percent	=	4%
Payout factor for the Bonus Period	=	1.50

Gross bonus (before tax) payment:

$$\$15,000 \times 4\% \times 1.50 = \$900.00$$

Included in regular earnings are the following pay categories:

- Base pay
- Shift differential
- Sick pay
- Vacation pay
- Holiday pay
- Bereavement pay
- Jury duty pay
- Alternative work schedule pay

Excluded from the Bonus Plan are:

- Overtime pay
- Bonus payments received from a previous bonus period
- Other payments which are taxable but not considered regular earnings.

#### WHO'S ELIGIBLE?

Most ADI employees participate in the Bonus Plan. New employees are immediately eligible to participate in the Plan with no waiting period.

The following situations may EXCLUDE an employee from Bonus payment eligibility:

- - Employee is already covered under a field sales, field applications engineering or other incentive program
- - Employee terminates employment prior to the last day of the bonus period
- - Employee receives a Marginal performance rating during the bonus period
- - Employee receives a final written warning during the bonus period
- - Co-op student or intern Temporary employee.

#### ADI BONUS: A PART OF TOTAL COMPENSATION

The ADI Bonus Plan is only one component of your total compensation package, along with base pay/merit increase and benefits programs. The Bonus program, together with the base pay/merit increase program, make up your total annual cash compensation. The bonus is the most variable component of your total package.

ADI's total annual cash compensation strategy is to pay at above average pay levels for above average performance. This strategy relates to both individual and company performance.

Our base pay/merit increase and benefits programs are designed to maintain individual base pay rates and benefits at a level competitive with those of other employers. Then, when company performance warrants a bonus payment, the additional money it provides moves your total annual cash compensation to a higher level.

## WE CAN HAVE AN IMPACT

Everyone can influence sales growth and profitability by improving customer satisfaction, minimizing waste and controlling expenses. Each person's initiative is important. TQM can provide tools for identifying and implementing important improvements.

There are two ways to further sustain and grow operating profit by increasing sales revenues and/or decreasing expenses. Increasing sales revenues is not just the job of the sales force.

## QUESTIONS ABOUT THE BONUS

### WHY WAS THE BONUS PAYMENT FORMULA CHANGED?

ADI's bonus program design should reflect both the important business goals for this fiscal year as well as the competitive market in which our business operates. Further increases to OPBT and the setting of aggressive sales revenue growth goals reflect those performance measures that are considered critical focuses for the future competitive position of the company.

### WHEN WILL I RECEIVE MY BONUS PAYMENT?

Bonus checks are issued approximately six weeks after the close of the bonus period and the formal announcement of a bonus payment for the period.

### WILL MY BONUS PAYMENTS BE ELIGIBLE FOR TIP OR THE EMPLOYEE STOCK PURCHASE PLAN?

If you currently contribute to TIP, deductions will be taken from your bonus payments. Bonus payments will also be included in the calculation of the company contributions to that program. Deductions are not taken for the ESPP.

### WHAT IF MY JOB GRADE AND BONUS TARGET CHANGE DURING THE BONUS PERIOD?

Delivering well-designed, high-quality products on time is a company-wide effort. Similarly, everyone can play a role in reducing expenses.

Working together, we can have an impact -- whether it's improving processes to increase customer satisfaction or finding ways to cut waste and reduce expenses. The daily improvements we can make ultimately add up to affect the "bottom line."

Your bonus payment will be based on the job grade effective at the end of the bonus period.

### WHAT IF I CHANGE WORK SHIFTS?

Because shift differential paid during the bonus period is included as part of your earnings for the bonus calculation, your bonus payment will already take into consideration any shift differential earnings that you may have for the period.

WHAT IF I TRANSFER BUSINESS UNITS OR CHANGE STATUS BETWEEN FULL-TIME AND PART-TIME?

If you transfer between business units, your earnings records transfer with you. Since your bonus payment is based on your accumulated paid earnings for the bonus period, your bonus calculation will take into account any change in reporting organization or change-in such (such as part-time to full-time or full-time to part-time).

WHAT IF I AM ON A LEAVE OF ABSENCE OR DISABILITY FOR PART OF THE BONUS PERIOD?

The bonus is paid based on your earnings while actively at work during the period (not on short-term disability, long-term disability or other leave of absence). So, any pay received during your leave of absence will be excluded from your accumulated paid earnings for bonus calculation purposes.



## ANALOG DEVICES, INC.

## 1992 DIRECTOR OPTION PLAN

## 1. PURPOSE

The purpose of this 1992 Director Option Plan (the "Plan") of Analog Devices, Inc. (the "Company") is to encourage ownership in the Company by outside directors of the Company whose continued services are considered essential to the Company's future progress and to provide them with a further incentive to remain as directors of the Company.

## 2. ADMINISTRATION

The Board of Directors shall supervise and administer the Plan. Grants of stock options under the Plan and the amount and nature of the awards to be granted shall be automatic and non-discretionary in accordance with Section 5. However, all questions of interpretation of the Plan or of any options issued under it shall be determined by the Board of Directors and such determination shall be final and binding upon all persons having an interest in the Plan.

## 3. PARTICIPATION IN THE PLAN

Directors of the Company who are not employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan.

## 4. STOCK SUBJECT TO THE PLAN

(a) The maximum number of shares which may be issued under the Plan shall be one hundred thousand (100,000) shares of the Company's Common Stock, par value \$.16-2/3 per share ("Common Stock"), subject to adjustment as provided in Section 9 of the Plan.

(b) If any outstanding option under the Plan for any reason expires or is terminated without having been exercised in full, the shares allocable to the unexercised portion of such option shall again become available for grant pursuant to the Plan.

(c) All options granted under the Plan shall be non-statutory options not entitled to special tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended to date and as may be amended from time to time (the "Code").

## 5. TERMS, CONDITIONS AND FORM OF OPTIONS

Each option granted under the Plan shall be evidenced by a written agreement in such form as the Board of Directors shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) **OPTION GRANT DATES.** Options shall be granted automatically to all eligible directors at the close of business on the date the Plan is approved by the Board of Directors; provided that the grant of such options is conditioned upon approval of the Plan by stockholders of the Company at the Company's 1993 Annual Meeting of Stockholders. Thereafter, options shall be granted automatically to persons who subsequently become eligible directors on the close of business on the date of his or her initial election or appointment to the Board of Directors; provided that any option granted prior to the approval of the Plan by stockholders of the Company at the Company's 1993 Annual Meeting of Stockholders is conditioned upon such approval of the Plan by stockholders of the Company.

(b) **SHARES SUBJECT TO OPTION.** Each option granted under the Plan shall be exercisable for 10,000 shares of Common Stock.

(c) **OPTION EXERCISE PRICE.** The option exercise price per share for each option granted under the Plan shall equal (i) the last reported sales price per share of the Company's Common Stock, as listed on a nationally recognized securities exchange, on the date of grant (or, if no such price is reported on such date, such price as reported on the nearest preceding day); or (ii) the fair market value of the stock on the date of grant, as determined by the Board of Directors, if the Common Stock is not publicly traded.

(d) **OPTIONS NON-TRANSFERABLE.** Each option granted under the Plan by its terms shall not be transferable by the optionee otherwise than by will, or by the laws of descent and distribution, or pursuant to a qualified domestic relations order (as defined in Section 414(p) of the Code), and shall be exercised during the lifetime of the optionee only by him. No option or interest therein may be transferred, assigned, pledged or hypothecated by the optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(e) **EXERCISE PERIOD.** Except as otherwise provided in this Plan, no option may be exercised prior to the third anniversary of the date of grant of such option. Each option may be exercised on a cumulative basis as to one-third of the shares subject to the option on the third, fourth and fifth anniversary of the date of grant of such option, PROVIDED that, subject to the provisions of Section 5(f), no option may be exercised more than 90 days after the optionee ceases to serve as a director of the Company. No option shall be exercisable after the expiration of ten (10) years from

the date of grant or prior to approval of the Plan by the stockholders of the Company.

(f) EXERCISE PERIOD UPON DEATH OR DISABILITY. Notwithstanding the provisions of Section 5(e), any option granted under the Plan:

(i) may be exercised in full by an optionee who becomes disabled (within the meaning of Section 22(e)(3) of the Code or any successor provision thereto) while serving as a director of the Company; or

(ii) may be exercised

(x) in full upon the death of an optionee while serving as a director of the Company, or

(y) to the extent then exercisable upon the death of an optionee within 90 days of ceasing to serve as a director of the Company,

by the person to whom it is transferred by will, by the laws of descent and distribution, or by written notice filed pursuant to Section 5(i);

in each such case within the period of one year after the date the optionee ceases to be such a director by reason of such death or disability; provided, that no option shall be exercisable after the expiration of ten (10) years from the date of grant or prior to the approval of the Plan by the stockholders of the Company.

(g) EXERCISE PROCEDURE. Options may be exercised only by written notice to the Company at its principal office accompanied by payment of the full consideration for the shares as to which they are exercised.

(h) PAYMENT OF PURCHASE PRICE. Options granted under the Plan may provide for the payment of the exercise price (i) by delivery of cash or a check to the order of the Company in an amount equal to the exercise price of such options or, (ii) to the extent provided in the applicable option agreement, by delivery to the Company of shares of Common Stock of the Company already owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised, or (iii) by any combination of such methods of payment. The fair market value of any shares of the Company's Common Stock or other non-cash consideration which may be delivered upon exercise of an option shall be determined by the Board of Directors.

(i) EXERCISE BY REPRESENTATIVE FOLLOWING DEATH OF DIRECTOR. A director, by written notice to the Company, may designate one or more persons (and from time to

time change such designation) including his legal representative, who, by reason of his death, shall acquire the right to exercise all or a portion of the option. If the person or persons so designated wish to exercise any portion of the option, they must do so within the term of the option as provided herein. Any exercise by a representative shall be subject to the provisions of the Plan.

#### 6. ASSIGNMENTS

The rights and benefits under the Plan may not be assigned except for the designation of a beneficiary as provided in Section 5.

#### 7. TIME FOR GRANTING OPTIONS

All options for shares subject to the Plan shall be granted, if at all, not later than five (5) years after the approval of the Plan by the Company's stockholders.

#### 8. LIMITATION OF RIGHTS.

(a) NO RIGHT TO CONTINUE AS A DIRECTOR. Neither the Plan, nor the granting of an option nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain a director for any period of time.

(b) NO STOCKHOLDERS' RIGHTS FOR OPTIONS. An optionee shall have no rights as a stockholder with respect to the shares covered by his options until the date of the issuance to him of a stock certificate therefor, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such certificate is issued.

#### 9. CHANGES IN COMMON STOCK

(a) If (x) the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities of the Company, or (y) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Common Stock or other securities, through or as a result of any merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment shall be made in (i) the maximum number and kind of shares reserved for issuance under the Plan, and (ii) the number and kind of shares or other securities subject to then outstanding options under the Plan and (iii) the price for each share subject to any then outstanding options under the Plan, without changing the aggregate purchase price

as to which such options remain exercisable. No fractional shares will be issued under the Plan on account of any such adjustments. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 9 if such adjustment would cause the Plan to fail to comply with Rule 16b-3 or any successor rule promulgated pursuant to Section 16 of the Securities Exchange Act of 1934.

(b) In the event that the Company is merged or consolidated into or with another corporation (in which consolidation or merger the stockholders of the Company receive distributions of cash or securities of another issuer as a result thereof), or in the event that all or substantially all of the assets of the Company is acquired by any other person or entity, or in the event of a reorganization or liquidation of the Company, the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company, shall, subject to the provisions of Section 10, as to outstanding options, take one or more of the following actions: (i) provide that such options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to the optionees, provide that all unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the optionee within a specified period following the date of such notice, or (iii) if, under the terms of a merger transaction, holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger (the "Merger Price"), make or provide for a cash payment to the optionees equal to the difference between (A) the Merger Price times the number of shares of Common Stock subject to such outstanding options (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such outstanding options in exchange for the termination of such options.

#### 10. CHANGE IN CONTROL

Notwithstanding any other provision to the contrary in this Plan, in the event of a Change of Control (as defined below), all options outstanding as of the date such Change in Control occurs shall become exercisable in full, whether or not exercisable in accordance with their terms. A "Change in Control" shall occur or be deemed to have occurred only if any of the following events occur: (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 the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of July 1, 1992, constitute the Board of Directors of the Company (as of the date

thereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date thereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Securities Exchange Act of 1934) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) 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 all or substantially all of the Company's assets."

#### 11. AMENDMENT OF THE PLAN

The Board of Directors may suspend or discontinue the Plan or review or amend it in any respect whatsoever; provided, however, that without approval of the stockholders of the Company no revision or amendment shall change the number of shares subject to the Plan (except as provided in Section 9), change the designation of the class of directors eligible to receive options, or materially increase the benefits accruing to participants under the Plan. The Plan may not be amended more than once in any six-month period.

#### 12. WITHHOLDING

The Company shall have the right to deduct from payments of any kind otherwise due to the optionee any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon exercise of options under the Plan.

#### 13. EFFECTIVE DATE AND DURATION OF THE PLAN

(a) EFFECTIVE DATE. The Plan shall become effective when adopted by the Board of Directors, but no option granted under the Plan shall become exercisable

unless and until the Plan shall have been approved by the Company's shareholders. If such shareholder approval is not obtained within twelve months after the date of the Board's adoption of the Plan, all options granted under the Plan shall terminate and no further options shall be granted under the Plan. Amendments to the Plan not requiring shareholder approval shall become effective when adopted by the Board of Directors; amendments requiring shareholder approval (as provided in Section 11) shall become effective when adopted by the Board of Directors, but no option granted after the date of such amendment shall become exercisable (to the extent that such amendment to the Plan was required to enable the Company to grant such option to a particular optionee) unless and until such amendment shall have been approved by the Company's shareholders. If such shareholder approval is not obtained within twelve months of the Board's adoption of such amendment, any options granted on or after the date of such amendment shall terminate to the extent that such amendment to the Plan was required to enable the Company to grant such option to a particular optionee. Subject to this limitation, options may be granted under the Plan at any time after the effective date and before the date fixed for termination of the Plan.

(b) TERMINATION. Unless sooner terminated in accordance with Section 9, the Plan shall terminate upon the earlier of (i) the close of business on the day next preceding the fifth anniversary of the date of its approval by the Company's stockholders, or (ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the exercise or cancellation of options granted under the Plan. If the date of termination is determined under (i) above, then options outstanding on such date shall continue to have force and effect in accordance with the provisions of the instruments evidencing such options.

14. NOTICE

Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Treasurer of the Company and shall become effective when it is received.

15. COMPLIANCE WITH RULE 16B-3

Transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor promulgated pursuant to Section 16 of the Securities Exchange Act of 1934. To the extent any provision of the Plan or action by the Board of Directors in administering the Plan fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board of Directors.

16. GOVERNING LAW

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the Commonwealth of Massachusetts.

Approved by the Board of Directors on  
September 11, 1992

AMENDED AND RESTATED  
LEASE

Reference is made to a Lease dated May 28, 1980 by and between Francis J. Perry, Jr. and William J. Walker, as Trustees of Everett Street Trust established under Declaration of Trust dated May 9, 1980 as "Landlord" and Analog Devices, Inc., a Massachusetts corporation, as "Tenant", as amended by First Amendment to Lease between Landlord and Tenant (as amended, the "Lease").

For consideration paid, Landlord and Tenant hereby amend and restate the Lease in its entirety as follows:

## ARTICLE I

## REFERENCE DATA

## 1.1 SUBJECTS REFERRED TO.

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Section 1.1.

Date of this Lease: as of May 1, 1992

Premises: Two parcels of land containing approximately 25 acres in Norwood, Massachusetts, together with the improvements constructed or to be constructed thereon, and any appurtenant rights thereto all being more specifically described in and shown on EXHIBITS A and A-1 attached hereto.

Landlord:	Francis J. Perry Jr. and William J. Walker, as Trustees of Everett Street Trust u/d/t dated May 9, 1980
Original Address of Landlord:	P.O. Box 158 Islington, Massachusetts 02090
Landlord's Construction Representative:	Francis J. Perry, Jr.
Tenant:	Analog Devices, Inc.
Original Address of Tenant:	One Technology Way

P.O. Box 9106  
Norwood, Massachusetts 02062-9106  
Attn: Chief Financial Officer

Tenant's Construction  
Representative:

Ronald White

Lender:

Initially, First National Bank of Boston, then any institutional lender holding a first mortgage on the Premises, of whose name and address Tenant has been notified.

Term:

A period of time commencing on the Commencement Date and ending fifteen (15) years hereafter, as the same may be extended as provided in Article XI hereof.

Fixed Rent:

As set forth on EXHIBIT B attached hereto.

Permitted Uses:

Office, light manufacturing, research and development and warehousing use.

Public Liability  
Insurance Limits:

Bodily Injury: \$1,000,000  
Property Damage: \$1,000,000

1.2 EXHIBITS.

The Exhibits listed below in this section are incorporated in this Lease by reference and are to be construed as a part of this Lease:

- EXHIBIT A. Description of Premises.
- EXHIBIT A-1. Plan showing the Premises, including appurtenances thereto.
- EXHIBIT B. Rent Schedule.
- EXHIBIT C. Description of Improvement Work.
- EXHIBIT D. Title and Encumbrances.
- EXHIBIT E-1. Schedule of principal paydown percentages for expansion option.
- EXHIBIT E-2. Schedule of principal paydown amounts.
- EXHIBIT F. Schedule of option prices.

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## ARTICLE II

## PREMISES AND TERM

2.1 PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises, together with appurtenant rights as shown on EXHIBIT A-1 and described in EXHIBIT A.

2.2 TERM. TO HAVE AND TO HOLD for a period of time beginning on the Commencement Date and continuing for the Term, unless sooner terminated as hereinafter provided.

2.3 COMMENCEMENT DATE. The Commencement Date shall be the earlier of May 1, 1992 or the date (a) ten (10) days after the date on which all of the following conditions have been met: (i) all of the work required to be performed by Tenant on the interior of, and on the main entrance to, the existing building on the Premises pursuant to EXHIBIT C has been substantially completed; (ii) Landlord shall have received a certificate from Tenant's Construction Representative certifying such substantial completion; (iii) a Certificate of Occupancy has been issued by the Town of Norwood permitting the occupancy of the entire existing building on the Premises for the Permitted Uses containing no exceptions which interfere with the use of the Premises for the Permitted Uses; or (b) Tenant commences operations of its business in the entire existing building on the Premises (such date as derived from either clause (a) or (b) above, hereinafter the 'Substantial Completion Date'). The term "substantially completed" as used herein shall mean that the work to be performed by

Tenant pursuant to EXHIBIT C has been completed, with the exception of minor items which can be fully completed without material interference with Tenant's use and occupancy of the entire existing building on the Premises for the Permitted Uses and other items which, because of the season or weather or the nature of the item, are not practicable to do at the time, provided that none of such items is necessary to make the Premises tenantable for the Permitted Uses. If the Substantial Completion Date occurs pursuant to clause (b) of this Section, Tenant shall comply with those conditions in clause (a) for which it is responsible as promptly as possible following the Substantial Completion Date. Tenant shall as promptly as possible complete any uncompleted work, including minor items and items which earlier were impracticable to perform. Additionally, Tenant shall proceed as promptly as possible after issuance to eliminate any exceptions contained in the Certificate of Occupancy.

Upon occurrence of the Commencement Date, Landlord and Tenant shall enter into a side letter acknowledging such date.

### ARTICLE III

#### IMPROVEMENTS

3.1 PLANS AND SPECIFICATIONS. The parties acknowledge that EXHIBIT C contains only a partial description of the plans and specifications for Tenant's work on the Premises and agree that Tenant shall deliver to Landlord, a detailed floor plan layout prepared at Tenant's expense (herein called "Tenant's Plans") reflecting the partitions, improvements and finish for the renovation of the existing building on the Premises to be performed by Tenant at Tenant's expense (the "Improvement Work").

Additionally, Tenant shall deliver to Landlord other information (including working drawings) showing the location of plumbing, fixtures, and other installations required by Tenant as soon as such information is developed and will arise Landlord of the cost to complete the Improvement Work shown on Tenant's Plans (the "Cost of Improvements") by submitting to Landlord a project budget for approval as soon as such costs are determined. Landlord shall notify Tenant of Landlord's approval or disapproval of the Tenant's Plans and the Cost of Improvements, within ten (10) business days after receipt thereof and if Landlord fails to either approve or disapprove of Tenant's Plans and Cost of Improvements within such timeframe, then such approval shall be deemed granted. If Landlord approves the Tenant's Plans and the Cost of Improvements, Landlord shall instruct Tenant to proceed with such work described in the approved Tenant's Plans and such work shall be deemed included in Tenant's work set forth in EXHIBIT C. If Landlord disapproves of Tenant's Plans or the Cost of Improvements, Landlord will so notify Tenant and return such objectionable drawings or budget within the time above specified with written reasons for such disapproval.

3.2 PERFORMANCE OF WORK AND APPROVAL OF TENANT'S WORK. Under the supervision of an architect or engineer selected by Tenant and approved by Landlord and Lender, Tenant shall cause to be performed the work described in EXHIBIT C, as modified pursuant to Sections 3.1 and 3.7. All such work shall be done in a good and workmanlike manner employing first quality materials and so as to conform to all applicable building and zoning laws and all other applicable laws, ordinances,

codes, regulations and orders of any authority having jurisdiction. Tenant shall bear all responsibility for insuring that the Improvement Work conforms to the requirements set forth in the preceding sentence. The Cost of Improvements shall be funded by Tenant as the Improvement Work progresses.

All final plans and specifications regarding the Improvement Work and not already provided for in Section 3.1 including those set forth in EXHIBIT C, and any revised or newly proposed plans adopted pursuant to Section 3.7, must be reviewed and approved by Landlord before Tenant commences with the work therein. Except as otherwise provided in Section 3.1 Landlord shall use diligent efforts to approve such plans and specifications within ten (10) business days after submission of such plans and specifications to Landlord by Tenant. If Landlord fails to either approve or disapprove of such plans and specifications within such time frame, then such approval shall be deemed granted. Tenant shall select the general contractor to perform the Improvement Work, subject to approval by Landlord which approval shall not be unreasonably withheld or delayed. All subcontractors having a subcontract in excess of \$50,000.00 also shall be pre-approved by Landlord, which approval shall not be unreasonably withheld or delayed.

3.3 Intentionally Deleted.

3.4 LANDLORD'S RIGHT OF INSPECTION. Landlord or its representatives may enter upon the Premises during the progress of the work to inspect the progress thereof and to determine of the work is being performed in accordance with the requirements of this Article III.

3.5 CONSTRUCTION REPRESENTATIVES. Each party authorizes the other to rely in connection with plans and construction upon approval and other actions on the party's behalf by any Construction Representative of the party named in Section 1.1 or any person hereafter designated in substitution or addition by written notice to the party relying.

3.6 Intentionally Deleted.

3.7 CHANGES IN SCOPE OF TENANT'S WORK. Tenant shall be allowed by means of change orders ("Change Orders") to alter the nature and scope of the work described in EXHIBIT C (including Tenant's Plans incorporated into EXHIBIT C pursuant to Section 3.1) and shall be allowed to determine the nature and scope of such work requirements. Change Orders requested by Tenant must be submitted to Landlord and Lender, but to Lender only if Lender is providing financing for the Improvement Work. for approval under the following circumstances: (a) any single Change Order will increase the Cost of Improvements by fifty thousand dollars (\$50,000.00) or more; (b) the current Change Order together with all previous Change Orders, will increase the Cost of Improvements by more than one hundred fifty thousand dollars (\$150,000.00); (c) the Change Order will alter the exterior dimensions of the existing building; or (d) the Change Order will change the use of the Premises to make them suitable only for a special purpose or otherwise affect the general quality, character or utility of the Premises. Copies of all Change Orders for which approval is required shall be delivered by Tenant to Landlord and Lender. If Lender shall fail to respond to Tenant's request for approval within five (5) business days following

receipt of such copies such approval shall be deemed granted. Tenant shall pay any increase in the Cost of Improvements resulting from Change Orders in accordance with the provisions of Section 3.2.

3.8 PERMANENT MORTGAGE. Landlord has currently financed the premises with a temporary \$9,750,000 loan from the First National Bank of Boston. The Tenant shall have the right to cause a permanent financing of the Premises by means of a first mortgage loan (the "Mortgage Loan") from a Lender in an amount not to exceed \$9,750,000 and, if necessary, an additional loan (which additional loan may be from Tenant). Additionally, during the Term of this Lease Tenant also shall have the right to cause the Mortgage Loan (and any necessary additional loan) to be refinanced from time to time. For purposes of this Section 3.8, any financing, refinancing or additional loan caused by Tenant shall be referred to as "Financing." Tenant shall have the right to cause a Financing provided that each such Financing complies with the following terms and conditions:

- (a) Such Financing shall be on commercially reasonable terms for a commercial real estate loan;
- (b) The Financing shall be non-recourse as to Landlord and any partners or beneficiaries of Landlord;
- (c) There shall be no provision for equity participation by the lender and no provision, term or condition of such Financing shall or could adversely affect the value of the Premises in any material way;

(d) The Land Rent portion of Fixed Rent (as hereinafter defined) shall not be available to pay debt service (including both principal and interest) on the Financing;

(e) All costs associated with the Financing including, without limitation, any prepayment penalty due shall be paid by Tenant; and

(f) The Financing shall not at any time have any material negative impact on Landlord, or any beneficiary or partner of Landlord, with respect to income tax or capital gain tax liabilities.

The condition contained in clause (f) above shall only apply in the event that any proceeds from such Financing are distributed to Landlord or Tenant for purposes other than paying off the existing Financing and reasonable transaction costs in connection therewith, Landlord and Tenant agree to cooperate in addressing and resolving any such negative impact which might be caused by the Financing.

Landlord shall not refinance the Mortgage Loan without Tenant's prior written consent, which consent, notwithstanding any other provision of this Lease to the contrary, may be withheld at Tenant's sole discretion. In the event Landlord elects to refinance the Mortgage Loan with Tenant's consent, Tenant shall not be responsible for any increase in debt service over existing debt service on the Mortgage Loan caused thereby.

## ARTICLE IV

## RENT

4.1 THE FIXED RENT. Tenant covenants and agrees to pay Fixed Rent as follows. Tenant shall pay the Land Rent Portion of Fixed Rent to Landlord at the Original Address of Landlord or to such other person or such other place as Landlord may by notice in writing to Tenant from time to time direct in twelve (12) equal installments on the first day of each calendar month included in the Term; and for any portion of a calendar month at the beginning or end of the Term, at the applicable rate payable in advance for such portion. Tenant shall pay the Debt Service Portion of Fixed Rent directly to the Lender in accordance with the debt service payment requirements of the financing.

4.2 ADDITIONAL RENT. In order that the Fixed Rent shall be absolutely net to Landlord, Tenant covenants and agrees to pay, as Additional Rent, taxes, betterment assessments, insurance costs, and utilities' charges with respect to the Premises as provided in this Section 4.2 as follows:

4.2.1 REAL ESTATE TAXES. Tenant shall pay, directly to the authority charged with collection thereof, all taxes levied or assessed by, or becoming payable to the municipality or any governmental authority having jurisdiction of the Premises, for or in respect of the Premises or which may become a lien on the Premises, for each tax period wholly included in the Term, all such payments to be made not less than five (5) days prior to the last date on which the same may be paid without interest or penalty, and Tenant shall promptly after payment thereof furnish

Landlord reasonable evidence of each such payment; provided that for any fraction of a tax period included in the Term at the beginning or end thereof, Tenant shall pay to Landlord, within ten (10) days after receipt of invoice therefor, the fraction of taxes so levied or assessed or becoming payable which is allocable to such included period and Landlord shall pay such taxes to the authority charged with collection thereof. If Tenant shall deem itself aggrieved by any such tax or charge and shall elect to contest the payment thereof, Tenant may make such payment under protest or if postponement of such payment will not jeopardize Landlord's title to the Premises, Tenant may postpone the same, provided that it shall secure such payment and the interest and penalties thereon and the costs of the contest by causing to be delivered to Landlord cash or other security satisfactory to Landlord, in form and amount satisfactory to Landlord, which amount shall not be greater than one hundred and ten percent (110%) of the contested tax or charge. Landlord shall, at Tenant's request, pay all or any part of such contested items out of any sums so delivered. When any such contested items shall have been paid or cancelled, any sums so delivered and not used for such payment shall be repaid to Tenant. Either party paying any tax shall be entitled to recover, receive and retain for its own benefit all abatements and refunds of such tax, unless it has previously been reimbursed by the other party. Neither party shall settle or discontinue any abatement proceedings begun by it without first giving the other party written notice of its intent so to do and reasonable opportunity to go forward with or to be substituted in such proceedings. Nothing contained in this Lease shall, however, require Tenant to pay any franchise,

corporate, estate, inheritance, succession, capital levy or transfer tax of Landlord, or any income, profits or revenue tax or charge upon the rent payable by Tenant under this Lease; provided, however, that if, at any time during the Term, under the laws of the United States or any state or political subdivision thereof in which the Premises are situated, there shall be adopted some other method of taxation on real estate as a substitute in whole or in part for taxes on real estate as now constituted, such as a tax on the Fixed Rent, Additional Rent or the other charges payable by Tenant hereunder, by whatever name called, levied, assessed or imposed against Landlord or the Rent or other charges payable hereunder to Landlord, (which substitute tax on the Fixed Rent, Additional Rent, or other charges or other substitute method of taxation are hereinafter collectively referred to as ("Substitute Taxes"), Tenant, to the extent that such Substitute Taxes are means of raising revenue from real estate shall pay Substitute Taxes as soon as the same shall become due and payable. In the event that any such Substitute Taxes shall be based upon the income of Landlord, then Tenant's obligation with respect to the aforesaid Substitute Taxes shall be limited to the amount thereof as computed at the rates that would be payable if the same were the sole taxable net income of Landlord.

4.2.2 BETTERMENT ASSESSMENTS. Tenant shall pay, directly to the authority charged with the collection thereof, each installment of all public, special or betterment assessment levied or assessed by or becoming payable to any municipality or other governmental authority having jurisdiction of the Premises, for or in respect of the Premises for each installment period partially or wholly included in the Term,

all such payments to be made not less than five (5) days prior to the last date on which the same may be made without interest or penalty; provided, however, that Tenant shall not be required to pay any such assessment resulting from work done by the municipality or other governmental authority which is set forth in EXHIBIT C (including Tenant's Plans incorporated into EXHIBIT C pursuant to Section 3.1) as Improvement Work and provided also that for any fraction of an installment period included in the Term at the end thereof, Tenant shall pay to Landlord, within ten (10) days after receipt of invoice therefor, the fraction of such installment allocable to such included period. Tenant shall promptly after payment thereof furnish to Landlord reasonable evidence of each such payment. Without postponing the foregoing payments, Tenant may prosecute appropriate proceedings to contest the validity or amount of any assessment with respect to which Tenant is required to make payments as hereinbefore provided, such proceedings to be conducted jointly with any other parties, including Landlord, who have contributed to the payment of such assessments, and Tenant agrees to save Landlord harmless from all costs and expenses incurred on account of Tenant's participation in such proceedings. Landlord, without obligating itself to incur any costs or expenses in connection with such proceedings, shall cooperate with Tenant with respect to such proceedings so far as reasonably necessary. Landlord shall promptly furnish to Tenant a copy of any notice of any public, special or betterment assessment received by Landlord concerning the Premises. Any refunds received on account of any assessment paid by Tenant shall belong to Tenant.

4.2.3 TAX FUND PAYMENTS. If and when requested by Lender, Tenant shall as Additional Rent, on the first day of each month of the term, make tax fund payments to Lender. "Tax fund payments" refer to such payments as Lender shall reasonably determine to be sufficient to provide in the aggregate a fund adequate to pay all taxes and assessments referred to in subsections 4.2.1 and 4.2.2 of this Section 4.2 when they become due and payable. If the aggregate of said tax fund payments is not adequate to pay all said taxes and assessments, Tenant shall pay to Lender the amount by which such aggregate is less than the amount equal to all said taxes and assessments, such payment to be made on or before the later of (a) ten (10) days after receipt by Tenant of written notice from Lender of such amount, or (b) the fifteenth (15th) day prior to the last day on which such taxes and assessments may be paid without interest or penalty. If Tenant shall have made the aforesaid payments, Lender shall on or before the last day on which the same may be paid without interest or penalty, pay to the proper authority charged with the collection thereof all taxes and assessments referred to in said subsections 4.2.1 and 4.2.2 and furnish Tenant, upon request, reasonable evidence of such payment. Any balance remaining after such payment by Lender shall be accounted for to Tenant annually. All payments made by Tenant pursuant to this subsection 4.2.3 shall, to the extent thereof, relieve Tenant of its obligations under said subsections 4.2.1 and 4.2.2.

4.2.4 INSURANCE. Tenant shall, as Additional Rent, take out and maintain throughout the Term the following insurance:

4.2.4.1 Fire insurance on an all-risks basis, including earthquake and flood, debris removal and demolition, and coverage for increased costs of construction, if applicable, in an amount at least equal to the replacement cost of the existing building on the Premises, as such replacement cost may from time to time be determined by agreement or by appraisal made at Tenant's expense by an accredited insurance appraiser approved by Landlord which may be required by either party whenever three (3) years have elapsed since the last such agreement or appraisal, or alterations or additions increasing cost have been made.

4.2.4.2 Comprehensive liability insurance indemnifying Landlord and Tenant against all claims and demands for any injury to person or property which may be claimed to have occurred on the Premises, in amounts which shall, at the beginning of the Term, be at least equal to the limits set forth in Section 1.1, and, from time to time during the Term, shall be for such higher limits, if any, as are customarily carried in the area in which the Premises are located on property similar to the Premises and used for similar purposes; and workmen's compensation insurance with statutory limits covering all of Tenant's employees working on the Premises.

4.2.4.3 Insurance against loss or damage from sprinklers and from leakage or explosion or cracking of boilers, pipes carrying steam or water, or both, pressure vessels or similar apparatus, in comprehensive form and in such amounts as Landlord may reasonably require, initially \$1,000,000. Also, insurance

against such other hazards as may from time to time be reasonably required by Lender.

4.2.4.4 Policies of insurance required under the provisions of Section 4.2.4.1 and 4.2.4.3 shall name Landlord and Tenant, as their interests may appear, but shall, in case of loss, be first payable to Lender under a standard mortgagee's clause. If at any time there is no Lender, such policies shall instead be payable to a commercial bank or trust company in Massachusetts having combined capital and surplus of at least fifty million dollars (\$50,000,000.00) selected by Tenant and approved by Landlord (the "Proceeds Trustee"). All such policies shall be obtained from responsible companies qualified to do business in Massachusetts and in good standing therein and shall be in a form and from a company approved by Lender. Each such policy shall be non-cancelable without at least twenty (20) days' prior written notice to Landlord and Lender. In the event provision for any such insurance is to be by a blanket insurance policy the policy shall allocate a specific and sufficient amount of coverage to the Premises or otherwise provide that the Premises is insured up to 100% of its replacement value at all times and in all circumstances. Upon request, Tenant shall furnish Landlord and Lender with a copy of all insurance policies. Tenant shall furnish Landlord with certificates from the insurance company stating that such policies and any renewals thereof are in force with respect to the Premises prior to the beginning of the Term and at least thirty (30) days prior to the expiration of the policies they renew.

4.2.4.5 All insurance which is carried by either party with respect to the Premises, whether or not required, shall include provisions which either designate the other party as one of the insured or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have been waived by the insured party prior to occurrence of loss or injury, insofar as, and to the extent that such provisions may be effective without making it impossible to obtain insurance coverage from responsible companies qualified to do business in Massachusetts (even though extra premium may result therefrom). In the event that extra premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If at the request of one party, this non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this subsection shall derogate from or otherwise affect releases elsewhere herein contained of either party for claims. Each party shall be entitled to have duplicates or certificates of any policies containing such provisions. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance containing said provisions, reserving, however, any rights with respect to any excess of loss or injury over the amount recovered by such insurance.

4.2.5 UTILITIES. Tenant shall pay directly to the proper authorities charged with the collection thereof all charges for water, sewer, gas, electricity, telephone and other utilities or services used or consumed on the Premises, whether

called charge, tax, assessment, fee or otherwise, including, without limitation, water and sewer use charges and taxes, if any, all such charges to be paid as the same from time to time become due.

#### ARTICLE V

##### TENANT'S ADDITIONAL COVENANTS

5.1 AFFIRMATIVE COVENANTS. Tenant covenants at its expense at all times during the Term and such further time as Tenant occupies the Premises or any part thereof:

5.1.1 PERFORM OBLIGATIONS. To perform promptly all of the obligations of Tenant set forth in this Lease; and to pay when due the Fixed Rent and Additional Rent and all charges, rates and other sums which by the terms of this Lease are to be paid by Tenant.

5.1.2 USE. To use the Premises only for the Permitted Uses.

5.1.3 REPAIR AND MAINTENANCE. Except as otherwise provided in Section 3.5 and Article VII, to keep the Premises including, without limitation, the exterior and structure of all improvements thereon and all heating, plumbing, electrical, air-conditioning, mechanical and other fixtures and equipment therein in the same order, condition and repair as they are in on the Commencement Date or may be put in during the Term, reasonable use and wear only excepted, provided, however, that such exception shall not relieve Tenant of the duty to keep the Premises in good and tenantable condition; to take good care of all lawns and planted areas and keep in good repair and clean and neat and free of snow and ice

all surfaced roadways, walks, and parking and loading areas; and to make all repairs and replacements and to do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen.

5.1.4 COMPLIANCE WITH LAW. To make all repairs, alterations, additions or replacements to the Premises required by any law or ordinance or any order or regulation of any public authority including the Americans with Disabilities Act (42 USC 12182) and regulations published thereunder; to keep the Premises equipped with all safety appliances so required; to obtain all licenses and permits required by virtue of any special use by Tenant of the Premises; and to comply with the orders and regulations of all governmental authorities, except that Tenant may defer compliance so long as the validity of any such law, ordinance, order or regulation shall be contested by Tenant in good faith and by appropriate legal proceedings, if Tenant first gives Landlord appropriate assurance against any loss, cost or expense on account thereof.

Landlord covenants and agrees to comply with all such laws, regulations, ordinances and orders which may apply to the Premises for reasons other than Tenant's use thereof.

5.1.5 PAYMENT FOR TENANT'S WORK. To pay promptly when due the entire cost of any work to the Premises undertaken by Tenant so that the Premises shall at all times be free of liens for labor and materials; to procure all necessary permits before undertaking such work; to do all of such work in a good and workmanlike manner, having first complied with the provisions of Section 5.2.3

hereof, employing materials of good quality and complying with all governmental requirements and to save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by or growing out of such work.

5.1.6 INDEMNITY. To assume exclusive control of the Premises, and all tort liabilities incident to the control or leasing thereof, and to defend, indemnify and save Landlord harmless from all injury, loss, claim or damage to or of any person or property while on the Premises unless arising from any omission, fault, negligence or other misconduct of Landlord or its agents, employees or representatives.

5.1.7 RIGHT TO ENTER. To permit Landlord, Lender and their respective agents and prospective purchasers to enter into and examine the Premises at reasonable times during Tenant's business hours, and, during the last six (6) months of the Term, to keep affixed in suitable places notices of availability of the Premises. No such entry shall be conducted in a manner which disrupts the ordinary conduct of Tenant's business.

5.1.8 PERSONAL PROPERTY AT TENANT'S RISK. That all of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises, shall be at the sole risk and hazard of Tenant and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or

other pipes, by theft or from any other cause. no part of said loss or damage is to be charged to or to be borne by Landlord, except that Landlord shall in no event be indemnified or held harmless or exonerated from any liability to Tenant or to any other person, for any injury, loss, damage or liability to the extent prohibited by law.

5.1.9 PAYMENT OF LANDLORD'S COST OF ENFORCEMENT. To pay on demand Landlord's expenses, including attorneys reasonable fees, incurred in enforcing any obligation of Tenant under this Lease or in curing any default by Tenant under this Lease as provided in Section 8.4. Landlord covenants to pay on demand Tenant's expenses, including attorneys reasonable fees, incurred in enforcing any obligation of Landlord under this Lease or in curing any default by Landlord under this Lease as provided in Section 8.5.

5.1.10 YIELD UP. At the expiration of the Term or earlier termination of this Lease: to surrender all keys to the Premises, to remove all of its trade fixtures and personal property in the Premises, to repair all damage caused by such removal and to yield up the Premises (except for trade fixtures and installations and improvements made by Tenant which Tenant elects to remove), broom-clean and in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease. Any trade fixtures and personal property not so removed shall be deemed abandoned and may be removed and disposed of by Landlord in such manner as Landlord shall determine and Tenant shall pay Landlord the entire cost and expense incurred by it in effecting such removal and disposition.

5.1.11 ESTOPPEL CERTIFICATE. Upon not less than fifteen (15) days' prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect and that Tenant knows of no defenses, offsets or counterclaims against its obligations to pay the Fixed Rent and Additional Rent and any other charges and to perform its other covenants under this Lease (or, if there have been any modifications that the same is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets or counterclaims, setting them forth in reasonable detail), and the dates to which the Fixed Rent and Additional Rent and other charges have been paid. Any such statement delivered pursuant to this Section 5.1.11 may be relied upon by any prospective purchaser or mortgagee of the Premises, or any prospective assignee of any such mortgage.

5.2 NEGATIVE COVENANTS. Tenant covenants at all times during the Term and such further time as Tenant occupies the Premises or any part thereof:

5.2.1 ASSIGNMENT AND SUBLETTING. Tenant may assign, transfer, mortgage or pledge this Lease, or sublet all or any portion of the Premises without Landlord's consent provided such assignment, transfer, mortgage, pledge or sublet expressly excludes any right of Tenant under this Lease to cause a financing or refinancing of the Premises. Any attempted assignment, transfer, mortgage, pledge or sublet purporting to assign, transfer, mortgage, pledge or sublet Tenant's rights to cause a financing or refinancing of the Premises or otherwise in violation of this Section 5.2.1 shall be void. Any assignee shall be required to execute and deliver to

Landlord an agreement to perform and to be bound by all of the obligations of Tenant under this Lease. No assignment, transfer, mortgage or sublease, whether or not approved, and no indulgence granted by Landlord to any assignee shall in any way impair the continuing primary liability (which after an assignment shall be joint and several with the assignee) of Tenant hereunder. Any net profits derived from an assignment or sublet shall be the property of Tenant. Tenant shall promptly give Lender notice of any assignment of this Lease or any subletting of the Premises or any portion thereof, which notice shall include the effective date of the assignment or subletting and the name and address of the assignee or sublessee and Tenant shall furnish Lender with such other information relative thereto as Lender may reasonably request.

5.2.2 OVERLOADING AND NUISANCE. Not to injure, overload, deface or otherwise harm the Premises; nor make, allow or suffer any waste; nor make any use of the Premises which is contrary to any law or ordinance or which will invalidate any insurance on the Premises;

5.2.3 INSTALLATION, ALTERATIONS OR ADDITIONS. Not to make any installations, alterations or additions in, to or on the Premises except in accordance with this subsection. Tenant shall have the right from time to time during the Term to make, at its expense, alterations of and additions to the building on the Premises and substitutions and replacements for such alterations and additions (collectively "Alterations"), subject in all cases to the further provisions of this subsection.

No Alteration shall be made without Landlord's prior consent if: the proposed Alteration would affect the exterior appearance of the building or the structural portions thereof; or the proposed Alteration would change the general character of the building or impair the usefulness of the Premises or reduce the fair market value of the Premises below such value immediately before such Alteration or diminish the net rentable area of the building. Each Alteration which does not require Landlord's consent pursuant to this subsection is hereinafter called a "permitted alteration". However, prior to commencing a permitted alteration, Tenant shall notify Landlord in writing of each permitted alteration the cost of which would exceed the higher of (a) \$150,000 or (b) the product of \$150,000 multiplied by a fraction the numerator of which shall be the Consumer's Price Index for all Urban Consumers as published for the City of Boston by the Bureau of Labor Statistics of the U.S. Department of Labor (Base Year 1985 = 100) for the most recent bi-monthly period ending next prior to the date of the Alteration proposal and the denominator of which shall be such Index as so published for the most recent bi-monthly period ending next prior to the Commencement Date, which notice shall fully describe the nature of such permitted alteration. If such Index is not then being published, the computation shall be made using that Index specified by such Bureau or its successor governmental agency as being most comparable thereto. In the event that the permitted alteration would require unusual expense to readapt the Premises to normal business office use upon termination of the Lease, Landlord shall have the option to require Tenant to remove such permitted alteration upon the termination of the Lease at Tenant's sole cost and

expense and otherwise in accordance with this Lease. Landlord shall notify Tenant of its election to require Tenant to remove the permitted alteration and restore the Premises within ten (10) business days of Landlord's receipt of Tenant's notice.

Except for permitted alterations: (1) each Alteration shall be made under the supervision of an architect or engineer selected by Tenant and approved by Landlord and Lender, and shall be made in accordance with detailed plans and specifications prepared by such architect or engineer in accordance with Article III hereof; and (2) copies of the plans and specifications for each Alteration shall be delivered to Landlord and Lender and shall be subject to Landlord's and Lender's prior written approval which shall be deemed to have been given if neither Landlord nor Lender objects within fifteen (15) days of receipt of the plans and specifications. Copies of any plans and specifications developed for use in Alterations, whether or not requiring Landlord's approval, and any information which Tenant is required to submit to the Town of Norwood Building Department with regard to Alterations, shall be sent to Landlord and Lender. All plans and specifications sent to Lender shall be clearly identified as relating to the Premises.

All Alterations shall be made by Tenant with reasonable diligence and dispatch in a first-class manner and with first-class materials and workmanship.

Before any Alterations are begun, Tenant shall procure, at its expense, all necessary licenses, permits and approvals. Upon Tenant's request, Landlord shall join in the Application for such licenses, permits, approvals and authorizations whenever

such action is necessary but shall have no obligation to incur any out-of-pocket expense in connection therewith.

Promptly after the completion of any Alteration, Tenant shall procure, at Tenant's expense, all such approvals by governmental authorities, if any, of the completed Alteration as may be required by any applicable law or ordinance or any applicable rule or regulation of governmental authorities, and all such insurance organizations' approvals, if any, as may be required or customary in connection therewith, and promptly deliver photocopies thereof to Landlord.

Nothing contained in this Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof, nor as giving Tenant any right power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or the Premises in respect thereof.

All materials which are scrapped or removed in connection with the making of Alterations permitted by this subsection may be dealt with by Tenant as its own property and Tenant shall be entitled to all salvage resulting therefrom.

#### ARTICLE VI

##### LANDLORD'S COVENANTS

6.1 AFFIRMATIVE COVENANTS. Landlord hereby agrees to affirmatively enforce all rights of Landlord contained in a certain Declaration of Restrictions, a certain

Access and Utility Easement Agreement, and a certain Electrical and Communication Easement Agreement, all of even date herewith and all by and between Landlord and the Trustees of Renewal Trust and not to amend or terminate these instruments except, in the case of termination, as expressly provided for therein.

#### ARTICLE VII

##### CASUALTY AND EMINENT DOMAIN

7.1 CASUALTY LOSS. If the Premises or any part thereof is damaged or destroyed by fire or other casualty, Tenant shall give Landlord prompt notice thereof, and Tenant, at its own cost and expense, shall promptly and with due diligence proceed to repair and restore the Premises to substantially their condition immediately prior to such occurrence, with such alterations as Tenant may elect in accordance with Section 5.2.3. Such repair and restoration shall be subject to the same terms and conditions as are imposed on alterations by Section 5.2.3.

7.1.1 All insurance proceeds received by Lender or the Proceeds Trustee, as the case may be, on account of such damage or destruction less the actual cost, fees and expenses, if any, incurred in connection with adjustment and collection of the loss, shall be applied by Lender or the Proceeds Trustee, as the case may be, to pay or reimburse Tenant for the payment of the cost of restoration, including the cost of temporary repairs and the protection of property pending the completion of restoration. Such proceeds shall be paid out from time to time as such restoration progresses upon the request of Tenant, and upon Tenant providing Lender or the Proceeds Trustee with reasonable evidence that: (a) the amount of proceeds

remaining after each payment to Tenant will be sufficient to complete the restoration and (b) the Premises are not subject to any liens arising from the restoration. Any such proceeds remaining after completion of the restoration shall be paid to Tenant.

7.1.2 If during the last three (3) years of the Term the Premises or any part thereof is substantially damaged or destroyed by fire or other casualty, and such damage or destruction cannot in the opinion of an independent professional engineer selected by Tenant to whom neither Landlord or Lender have made a reasonable objection within five (5) business days after receipt of written notice of the identity thereof, be repaired within sixty (60) days from the date on which the casualty loss occurs, then Tenant shall have the right to terminate this Lease by notice given to Landlord within thirty (30) days after the date of such casualty loss effective thirty (30) days after such notice is received by Landlord. Simultaneously with the giving of such notice by Tenant, Tenant shall: (a) pay or assign to Landlord all sums recoverable under policies of insurance covering the building on the Premises; and (b) pay to Landlord the Fixed Rent and Additional Rent for the period up to and including the termination date. Fixed Rent and Additional Rent shall not abate by reason of such casualty loss, except that if Tenant exercises its right to terminate under this Section, the Fixed Rent and Additional Rent shall be prorated to the termination date.

## 7.2 TAKING.

7.2.1 If the whole of the Premises shall be taken for any public or quasi-public use under any statute or by right of eminent domain (hereinafter referred to as "taking"), then this Lease shall automatically terminate as of the date that possession is taken by the taking authority.

7.2.2 If there is a partial taking of the Premises, then, to the extent of the net taking award recovered by Landlord, Landlord shall promptly and with due diligence restore the Premises or what may-remain thereof to an economically operable facility substantially comparable to their condition prior to such taking subject to the following:

7.2.2.1 If such partial taking completely deprives Tenant of all access to the Premises, Tenant may terminate this Lease by notice given to Landlord within thirty (30) days of such partial taking; or, if such partial taking reduced the floor area of the building on the Premises by more than twenty percent (20%) or reduces the parking area on the Premises by more than twenty percent (20%), then either party may terminate this Lease by notice given to the other within thirty (30) days after such partial taking and effective thirty (30) days after such notice is received by the other party; except that such termination by Landlord shall be ineffective if Tenant shall extend the Term pursuant to Section 11.1 or shall elect to expand pursuant to Section 11.2 or purchase the Premises pursuant to Section 11.5 (in the latter case, the entire taking award shall be assigned to Tenant). If this Lease is

so terminated, the termination shall be effective as of the date that possession is taken by the taking authority.

7.2.2.2 If the Premises are not, in fact, restored as provided in the introductory paragraph to this Section 7.2.2 within nine (9) months from the date when the taking authority takes possession of the part of the Premises so taken, Tenant may terminate this Lease, at any time following such nine (9) month period until the Premises are so restored, by written notice given to Landlord specifying a termination date thirty (30) days after such notice is received by Landlord, provided, however, that such termination shall not be effective if the Premises are in fact so restored before the expiration of such 30-day period.

7.2.2.3 If, during the last year of the Term more than ten percent (10%) of the floor area of the building on the Premises or more than twenty percent (20%) of the parking area on the Premises is so partially taken, either party shall have the right to terminate this Lease by notice to the other given within thirty (30) days after the date of such partial taking and effective thirty (30) days after such notice is received by the other party; except that any such termination by Landlord shall be ineffective if Tenant shall forthwith extend the Term pursuant to Section 11.1 or shall elect to expand pursuant to Section 11.2 or purchase the Premises pursuant to Section 11.5 (in the latter case, the entire taking award shall be assigned to Tenant).

7.2.2.4 If this Lease is not terminated as provided in this Section 7.2.2, a just proportion of the Fixed Rent and Additional Rent shall be suspended or abated, according to the nature and extent of the partial taking from

the date that the taking authority takes possession or when Tenant is deprived of its practical use of the Premises, whichever occurs first, to the date that Tenant's use of the Premises shall be so restored, and thereafter a just proportion of the Fixed Rent and Additional Rent shall be abated for the balance of the Term according to the nature and extent of such partial taking.

7.2.3 Landlord reserves to itself all rights to receive all awards, damages and compensation accruing by reason of any taking referred to in Section 7.2, except as otherwise provided in such Section, and Tenant hereby releases and assigns to Landlord all such rights, except for such awards, damages or compensation as may be separately awarded for Tenant's personal property, trade fixtures and moving expenses.

#### ARTICLE VIII

##### DEFAULTS

8.1 EVENTS OF DEFAULT. (a) If Tenant shall default in the performance of any of its obligations to pay the Fixed Rent or Additional Rent hereunder and such default shall continue for ten (10) days after written notice from Landlord designating such default or (b) if within thirty (30) days after written notice from Landlord to Tenant specifying any other default or defaults Tenant has not commenced diligently to correct the default or defaults so specified or has not thereafter diligently pursued such correction to completion, or (c) if any assignment shall be made by Tenant for the benefit of creditors, or (d) if Tenant's leasehold interest shall be taken on execution, or (e) if a lien or other involuntary encumbrance is filed against Tenant's

leasehold interest and is not discharged within thirty (30) days thereafter or (f) if a petition is filed by Tenant for adjudication as a bankrupt, or for reorganization or an arrangement under any provision of the U.S. Bankruptcy Code as then in force and effect, or (g) if an involuntary petition under any of the provisions of said Bankruptcy Code is filed against Tenant and such involuntary petition is not dismissed within ninety (90) days thereafter, then, and in any of such cases, Landlord and the agents and servants of Landlord lawfully may, immediately or at any time thereafter and without demand or notice and with or without process of law, enter into and upon the Premises or any part thereof in the name of the whole or mail a notice of termination addressed to Tenant at the Premises, and repossess the same as of Landlord's former estate and expel Tenant and those claiming through or under Tenant and remove its and their effects without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or prior breach of covenant, and upon such entry or mailing as aforesaid this Lease shall terminate.

8.2 REMEDIES. In the event that this Lease is terminated under any of the provisions contained in Section 8.1 or shall be otherwise terminated for breach of any obligation of Tenant, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the rental value of the Premises for said residue of the Term, discounted to the date of such termination at the rate of nine percent (9%). In calculating the rent reserved there shall be included, in addition to the Fixed Rent and Additional Rent, the value

of all other considerations agreed herein to be paid or performed by Tenant for said residue. Tenant further covenants as an additional and cumulative obligation after any such termination to pay punctually to Landlord all the sums and perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant pursuant to the next preceding sentence Tenant shall be credited with any amount paid to Landlord as compensation as in this Section 8.2 provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all reasonable repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its reasonable judgment considers advisable or necessary to relet the same. Landlord agrees to use due diligence in seeking to relet the Premises under this Section.

8.3 REMEDIES CUMULATIVE. Any and all rights and remedies which Landlord may have under this Lease, and at law and equity, shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time insofar as permitted by law.

8.4 LANDLORD'S RIGHT TO CURE DEFAULTS. If Tenant shall default in the performance or observance of any term or condition in this Lease and shall not cure such default within thirty (30) days after notice from Landlord specifying the default or, in the case of a default which cannot reasonably be cured within such 30-day period, commence to cure such default within such 30-day period and thereafter proceed with diligence to complete such cure, Landlord may, but shall not be obligated to, cure such default by Tenant under this Lease; and whenever Landlord so elects, all costs and expenses incurred by Landlord, including attorneys' reasonable fees, in curing a default shall be paid by Tenant to Landlord on demand, together with interest at the rate of twelve percent (12%) per annum thereon from the date of payment by Landlord to the date of payment by Tenant.

8.5 TENANT'S RIGHT TO CURE DEFAULT. If Landlord shall default in the performance or observance of any term or condition in this Lease and shall not cure such default within thirty (30) days after notice to Landlord specifying the default or, in the case of a default which cannot reasonably be cured within such 30-day period, commence to cure such default within such 30-day period and thereafter proceed with diligence to complete such cure, Tenant may, but shall not be obligated to, cure such default, notwithstanding the fact that no specific provision for such substituted performance is made in this Lease with respect to such default, and except that in case of an emergency Tenant may commence to cure the default immediately and shall only be obligated to notify Landlord of the event promptly thereafter. So long as there shall be a Lender holding a first mortgage of the Premises which has been

approved by Tenant, Tenant shall, as a precondition to the exercise by Tenant of Tenant's rights under this Section 8.5, send Lender a copy of any notice to Landlord hereunder, simultaneously with the sending of such notice to Landlord, Tenant agrees to accept the curing of the default by Lender as if Landlord had cured such default. In performing such obligation, Tenant may make any payment of money or perform any other acts. All sums so paid by Tenant (together with interest at the rate of twelve percent (12%) per annum) and all necessary incidental costs and expenses, including, without limitation, reasonable legal fees in connection with enforcement of its rights under this Section by Tenant, shall be payable to Tenant by Landlord immediately on demand made upon Landlord, of which copy is given simultaneously to Lender. If such sums, interest, costs and expenses are not paid within thirty (30) days after such demand, Tenant may deduct the same from the Fixed Rent thereafter accruing, provided that such deductions shall not exceed ten thousand dollars (\$10,000) in any one month. Tenant may exercise its rights under this Section without waiving any other of its rights or releasing Landlord from any of its obligations under this Lease.

8.6 NO WAIVER, ETC. The failure of the non-defaulting party to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed to have

been a waiver of such breach by Landlord, or by Tenant, unless such waiver be in writing signed by the party to be charged. No consent or waiver, express or implied, by the non-defaulting party to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

8.7 NO ACCORD AND SATISFACTION. No acceptance by Landlord of a lesser sum than the Fixed Rent, Additional Rent or any other charge then due shall be deemed to be other than on account of the earliest installment of such rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.

#### ARTICLE IX

##### MORTGAGEE'S RIGHTS

9.1 SUPERIORITY OF LEASE. This Lease shall be superior to and shall not be subordinated to any mortgage or other voluntary lien or other encumbrance on the Premises. Until it shall enter and take possession of the Premises for the purpose of foreclosure, Lender shall have only such rights of Landlord as are necessary to preserve the integrity of this Lease as security. Upon entry and taking possession of the Premises for the purpose of foreclosure, Lender shall have all the rights of Landlord. Lender shall not be liable either as mortgagee or as assignee, to perform,

or be liable in damages for failure to perform, any of the obligations of Landlord unless and until Lender shall enter and take possession of the Premises for the purpose of foreclosure. Upon entry for the purpose of foreclosure, Lender shall be liable to perform all of the obligations of Landlord arising after such entry and without limitation shall be subject to and bound by Tenant's rights to extend the Term or expand or purchase the Premises pursuant to Article XI, provided that a discontinuance of any foreclosure proceeding shall be deemed a conveyance under said provisions to the owner of the equity of the Premises. No Fixed Rent shall be paid more than (1) one month prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by Lender in possession or in the process of foreclosing its mortgage) be a nullity as against Lender and Tenant shall be liable for the amount of such payments to Lender.

#### ARTICLE X

##### MISCELLANEOUS PROVISIONS

10.1 NOTICES FROM ONE PARTY TO THE OTHER. All notices, approvals, consents, requests, and elections required or permitted under this Lease shall be in writing and shall be deemed duly served if and when mailed by registered or certified mail, postage prepaid, addressed, if to Tenant, at the Original Address of Tenant or such other address as Tenant shall have last designated by notice in writing to Landlord; if to Landlord, at the Original Address of Landlord or such other address as Landlord shall have last designated by notice in writing to Tenant; and if to Lender, at the

address specified in Landlord's notice to Tenant identifying Lender or at the address last known to the parties. If either party at any time designates some other person to receive payments or notices under this Lease, all such payments or notices thereafter by the other party shall be paid or given to the agent designated until notice to the contrary is received from the designating party.

10.2 QUIET ENJOYMENT. Landlord covenants and agrees that upon Tenant's paying the rent and performing and observing the agreements, conditions and other provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the Term hereof subject, however, to the terms of this Lease.

10.3 LEASE NOT TO BE RECORDED. Neither party shall record this Lease. Both parties shall, upon the request of either, execute, acknowledge and deliver a notice or short form of this Lease in recordable form as permitted by applicable statute.

10.4 SUCCESSORS AND ASSIGNS. The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that no owner of the Premises shall be liable under this Lease except for breaches of Landlord's obligations occurring while owner of the Premises; provided, however, that the original Landlord named herein shall remain liable for obligations accruing before the beginning of the Lease Term and for the obligations and warranties set forth in Section 3.6.

10.5 ACTS OF GOD. In any case where either party hereto is required to do any act, delays caused by or resulting from Acts of God, war, civil commotion, fire,

flood or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather, or other causes beyond such party's reasonable control shall not be counted in determining the time during which work shall be completed, whether such time be designated by a fixed date, a fixed time or a "reasonable time," and such time shall be deemed to be extended by the period of such delay.

10.6 LANDLORD'S DEFAULT. Landlord shall not be deemed to be in default in the performance of any of its obligations hereunder unless it shall fail to perform such obligations and such failure shall continue for a period of thirty (30) days or such additional time as is reasonably required to correct any such default after written notice has been given by Tenant to Landlord specifying the nature of Landlord's alleged default. So long as Lender's mortgage is outstanding, Tenant shall send Lender a copy of any notice to Landlord hereunder, simultaneously with the sending of such notice to Landlord. Tenant agrees to accept the curing of the default by Lender as if Landlord had cured such default. Tenant shall have no right to terminate this Lease for any default by Landlord hereunder and no right, for any such default, to offset or counterclaim against any rent due hereunder except as specifically set forth herein.

10.7 BROKERAGE. Each party represents and warrants to the other that it has dealt with no broker in connection with the consummation of this Lease other than Meredith & Grew, Incorporated and Stephen J. Kasnet d/b/a Ocean Manchester Corp. and Landlord shall pay for all fees due brokers.

10.8 CONSENTS AND APPROVALS. Whenever the consent or approval of either party is required hereunder, the same shall not be unreasonably withheld or delayed except as otherwise expressly set forth in this Lease.

10.9 APPLICABLE LAW AND CONSTRUCTION. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts and, if any provisions of this Lease shall to any extent be invalid, the remainder of this Lease shall not be affected thereby. This Lease may be amended, and the provisions hereof may be waived or modified, only by instruments in writing executed by Landlord and Tenant. The titles of the several Articles and Sections contained herein are for convenience only and shall not be considered in construing this Lease.

10.10 ENTIRE AGREEMENT. This Lease shall constitute the entire agreement between the parties hereto and no oral representation or warranty by either Landlord or Tenant shall have any force and effect after the date hereof. This Lease shall supercede all other existing agreements between the Landlord and Tenant, whether oral or written.

#### ARTICLE XI

##### TENANT'S OPTIONS

11.1 OPTIONS TO EXTEND. Tenant shall have the right and option to extend the original Term of this Lease (or the Term as extended pursuant to the provisions of Section 11.2) provided that Tenant is not in default beyond any applicable grace periods, for three (3) successive periods of five (5) years each by giving written notice to Landlord of its exercise thereof on or before the date which is twelve (12) months

prior to the expiration of the original Term, or the Term as previously extended pursuant to the provisions of this Section 11.1, as the case may be. If such option is so exercised, all of the terms, conditions, covenants and agreements contained herein shall apply during the respective extended Terms, except that after the exercise of the third (3rd) such option Tenant shall have no further rights to extend the Term, and except that the Fixed Rent during each such extension period shall be the Land Rent portion of Fixed Rent plus an amount necessary to pay the debt service on the mortgage loan on the Premises existing at such time.

The word "Term" refers as of any particular time to the original Term, or the original Term as extended pursuant to Section 11.2, and (where the context admits) also to any extension thereof with respect to which Tenant has, as of that time exercised its option to extend as set forth in this Section 11.1.

Tenant shall be required to make a payment to Landlord, as additional rent, upon a termination of this Lease whether occurring through Tenant's default or expiration of the original or any extended Term as follows. If the Term of this Lease expires through non-exercise of an extension option (or exercise of all extension options), then, on the date which is sixty (60) days prior to the termination of the applicable Term, Tenant shall make a lump sum payment to Landlord as additional rent hereunder in an amount sufficient to reduce the then outstanding principal balance of the Mortgage Loan, or any refinancing thereof (whether in one or more loans, including a loan from Tenant) (either such principal amount or aggregate

principal amount sometimes hereinafter referred to as the "Outstanding Principal"), to the following total or aggregate as the case may be, principal amounts:

End of	
Year 15	\$6,500,000
Year 20	\$5,312,000
Year 25	\$3,300,000
Year 30	\$0.00

If the Lease terminates because of Tenant's default, the payment which Tenant is obligated to make shall be the payment for the year which is nearest in time to the date the Lease terminated discounted to the then present value calculated using a term equal to the term which would have remained under the Lease absent such termination and an interest factor equal to the yield of U.S. Treasury Notes with a maturity matching the balance of the Term. Such payment shall be due and payable on the date the Lease terminates.

11.2 OPTION TO EXPAND. Tenant shall have the right and option to expand the existing 135,000 square foot building on the Premises (the "Building") or to construct an additional building or buildings on the Premises. The party hereto responsible for constructing the Additional Building is hereinafter sometimes referred to as the "Responsible Party." Such expansion, at Tenant's reasonable discretion, may be in any amount up to the maximum square footage allowed as of right on the Premises and in any location allowed as of right on the Premises under applicable zoning laws and other federal, state and local laws and regulations:

(a) Said option shall be exercisable prior to the expiration of the Term, as it may be extended pursuant to Section 11.1, and, if not so exercised, Tenant

and Landlord shall have no further rights and obligations, respectively, to expand the Premises under this Section 11.2.

(b) At the time such option is exercisable, Tenant shall notify Landlord in writing of (i) Tenant's intention to expand the Building on the Premises, but without any obligation to do so except as hereinafter provided, and (ii) whether Tenant shall be the Responsible Party. Tenant's notice shall be accompanied by plans and specifications (the "Addition Plans") for an additional building or expansion to the existing building on the Premises (the "Additional Building") prepared at Tenant's expense, which Addition Plans (i) shall be reasonably consistent with the finish and design of the Building as it exists at such time, (ii) shall not change the general character of the Building, (iii) shall not impair the usefulness of the Premises, (iv) shall not reduce the fair market value of the Premises below such value immediately before such Addition, or (v) shall not diminish the net rentable area of the Building. If Tenant elects to be the Responsible Party, then the "Estimates" (as hereinafter defined) shall also accompany such notice. Landlord shall review the Addition Plans (and the Estimates, if applicable) and notify Tenant whether Landlord concurs or does not concur (and, if not, in what respect) that the submissions are in compliance with the above-referenced standards within sixty (60) days of Tenant's notification. Tenant shall also send the Addition Plans to Lender for approval but the Addition Plans shall be deemed approved by Lender unless within ten (10) days after Lender receives the same Lender has given Landlord and Tenant notice of objections thereto in reasonable detail.

If Landlord is the Responsible Party, then upon the date Landlord approves the Addition Plans, Landlord shall present Tenant with construction cost and time schedule, estimates (the "Estimates"). Such construction cost estimates shall be based upon competitive bids which the Responsible Party shall be required to solicit. Within thirty (30) days of receipt of the Estimates, Tenant shall confirm to Landlord its intention to expand or withdraw its notice of intention to expand.

Upon approval of the Addition Plans, Tenant shall use its best efforts to obtain financing for the construction of the Addition (the "New Mortgage Loan") amortizable over a thirty (30) year period and with a rate of interest and other terms satisfactory to Tenant and otherwise consistent with the requirements of this Lease (including, without limitation, Section 3.8 other than the condition set forth in Subsection 3.8(a)), which terms in any event shall not cause this Lease to be treated as a capital lease under the rules of the Financial Accounting Standards Board, and which shall provide that this Lease will be superior to the New Mortgage Loan and non-recourse to the Landlord or its beneficiaries. The amount of the New Mortgage Loan shall be limited to an amount providing one hundred percent (100%) financing of only the following costs (collectively, the "Addition Costs"): (1) the actual costs of construction of the Additional Building, including architectural and engineering fees and a reasonable contractor's profit; (2) interest actually incurred during the construction period by Landlord in connection with the Additional Building; and (3) "soft costs," which shall be limited to legal fees, real estate taxes during the construction period and other commissions and fees in connection with the

Additional Building which are reasonably identified in advance. If, in order to secure the New Mortgage Loan, it is necessary to refinance the Premises, the New Mortgage Loan shall also include such amounts (collectively, the "Existing Loan Costs") as are necessary to be paid to Lender to discharge the then existing financing, including, without limitation, prepayment premiums or charges. The Responsible Party shall provide the other party with evidence of all expenses upon which the New Mortgage Loan is based.

If Tenant is unable to obtain a New Mortgage Loan reasonably satisfactory to Tenant and consistent with the requirements of this Lease, then Tenant's notice of intention to expand shall be deemed withdrawn unless, within forty-five (45) business days of such determination, Tenant notifies Landlord that Tenant shall proceed with the construction of the Additional Building at Tenant's sole cost and expense as provided herein (the "Tenant Financed Expansion Option").

If such option to expand is so exercised and Landlord is the Responsible Party, Landlord agrees to construct or cause to be constructed the Additional Building solely at Landlord's expense to the extent of the New Mortgage Loan in accordance with the Addition Plans and on the following terms and conditions:

(i) under the supervision of an architect or engineer; and

(ii) all work shall be done in a good workmanlike manner employing first quality materials and so as to conform to all applicable building and zoning laws and all other applicable laws, ordinances, codes, regulations and orders of any authority having jurisdiction.

If the option to expand is so exercised and Tenant is the Responsible Party but has not elected the Tenant Financed Option, Tenant agrees to construct or cause to be constructed the Additional Building solely at Landlord's expense to the extent of the New Mortgage Loan and in accordance with the Addition Plans and the terms and conditions of Section 5.2.3 of the Lease. If such option to expand is so exercised and Tenant has elected the Tenant Financed Option, then, in any case, Tenant shall be the Responsible Party and shall construct or cause to be constructed the Additional Building at Tenant's sole expense in accordance with the Addition Plans and the terms and conditions of Section 5.2.3 of this Lease.

The party which is not the Responsible Party or its representatives may enter upon the Additional Building during the progress of the work to inspect the progress thereof and to determine if the work is being performed in accordance with the requirements of this Section 11.2. All change orders requested by Tenant shall be conformed to the terms and provisions of Section 3.7 hereof. Landlord shall have no obligation and Tenant shall have no right to construct the Additional Building if such construction shall cause the Premises, or the buildings or other improvements thereon to be in violation of any applicable zoning or building code or other law ordinance or regulation.

Upon exercise of the option under this Section and provided Tenant has not exercised the Tenant Financed Option, the Term shall be extended to a date which is fifteen (15) years after the Addition Commencement Date, which shall be the earlier of (a) the expiration of fifteen (15) days after the date on which all of the following

conditions have been met: (i) all of the work required to be performed by the Responsible Party in accordance with the Addition Plans has been substantially completed; (ii) either party, as the case may be, shall have received a certificate from the Responsible Party's construction representative certifying such substantial completion; (iii) a Certificate of Occupancy has been issued by the Town of Norwood permitting the occupancy of the Additional Building for the Permitted Uses containing no exceptions which interfere with the use of the Premises for Permitted Uses; (iv) all utilities to the Premises have been installed and put in good working order; (v) the Premises may legally be used for office, light manufacturing research and development or warehousing use and comply with applicable provisions of the Town of Norwood Zoning By-Law, (vi) the Premises are then free from all encumbrances or other matters affecting record title, except as set forth in EXHIBIT D or otherwise approved by the party not responsible for construction, as evidenced by an opinion letter so stating addressed to such party from counsel selected by the Responsible Party and reasonably acceptable to the other party, accompanied by a survey from a reputable registered engineer or registered land surveyor certifying to Tenant and Landlord that there are no encroachments on the premises or structures on the premises which extend across the boundary lines of the premises and that the access roads and utility lines have been located on the ground as shown on EXHIBIT A-1; (vii) the Premises then conform with all applicable environmental requirements and with the State Building Code, as evidenced by a certificate from a registered professional engineers and all permits required in relation thereto have been obtained

by the Responsible Party; or (b) the commencement by Tenant of its business in the Additional Building. If Tenant shall have elected the Tenant Financed Options Tenant may elect whether to extend the Term of this Lease for fifteen (15) years to a date calculated as set forth above in this paragraph.

The Responsible Party shall notify the other party thirty (30) days before the date upon which the Responsible Party, using its best estimate, participates that such work on the Additional Building will be substantially completed, but if such notice proves to be given more or less than thirty (30) days before substantial completions such fact shall not constitute a default by the Responsible Party under this Lease. The term "substantially completed" as used herein shall be defined as in Section 2.3 except that the reference to work to be performed by Tenant shall be to that work required of the Responsible Party pursuant to the Addition Plans. If the Addition Commencement Date occurs pursuant to clause (b) of this Section, the Responsible Party shall comply with the conditions in clause (a) as promptly as possible following the Addition Commencement Date. Following substantial completion the Responsible Party shall as promptly as possible complete any uncompleted work, including minor items and items which earlier were impracticable to perform. Additionally, the Responsible Party shall proceed as promptly as possible after issuance to eliminate any exceptions contained in the Certificate of Occupancy.

Commencing on the Addition Commencement Date, this Lease shall be amended so as to include within the Building the Additional Building, and all of the terms conditions covenants and agreements contained in this Lease shall continue to

apply, except that the Term shall be extended as, and to the extent, provided above and if required in order to finance the cost of the Additional Building the Fixed Rent shall be increased to an amount equal to:

- (a) The Debt Service portion of the Fixed Rent at the Addition Commencement Date plus additional annual Fixed Rent in an amount necessary to pay the debt service on the mortgage Loan which funded construction of the Additional Building and any costs reasonably associated therewith (in substantial accordance with quotations which formed the basis of the decision to proceed); or
- (b) If a New Mortgage Loan is obtained which both refinances the existing Mortgage Loan (and any additional loan from Tenant) or any refinancing thereof as well as funds the expansion of the Building, annual rent in an amount necessary to pay the debt service on the New Mortgage Loan; plus
- (c) The Land Rent portion of the Fixed Rent.

In the event that Tenant has exercised its option to expand the Building pursuant to this Section 11.2 and has not elected the Tenant Financed Option, then, upon the date which the Lease terminates, either pursuant to Tenant's election not to extend or because of Tenant's default, Tenant shall make the following payments to Landlord, as additional rent hereunder:

(x) a payment in an amount sufficient to reduce the then outstanding principal balance of that portion of the New Mortgage Loan which funded the Addition Costs to the percentage of such original principal amount shown on Exhibit E-1 for the year nearest in time to the date of termination; plus

(y) a payment in an amount sufficient to reduce the then outstanding principal balance of the Outstanding Principal to the amount shown on EXHIBIT E-2 for the year nearest in time to the date of termination.

If the Tenant has not elected the Tenant Financed Option and the New Mortgage Loan also refinanced the then existing outstanding Principal then the following payments shall be made by Tenant to Landlord as additional rent hereunder upon the termination of the Lease:

(a) the amount required under clause (x) above; plus

(b) a payment in an amount sufficient to reduce the then outstanding principal balance of that portion of the New Mortgage Loan which funded the Existing Loan Costs to the amount shown on EXHIBIT E-2 for the year nearest in time to the date of termination.

If Tenant has elected the Tenant Financed Option and also elects to extend the Term of the Lease for fifteen (15) years, then Tenant shall make the following payment as additional rent hereunder upon the termination of the Lease:

(a) an amount sufficient to reduce the then outstanding amount of the Outstanding Principal to the amount shown on EXHIBIT E-2 for the year nearest in time to the date of termination.

If, in any of the cases set forth in this paragraph, the Lease terminates because of Tenant's default, then Tenant's required payment or payments, as the case may be, shall be discounted as provided under Section 11.1 of this Lease.

When the Addition Commencement Date and the date of the end of the Term as extended pursuant to this Section 11.2 are determined, such dates shall be evidenced by a document in form for recording executed by Landlord and Tenant and delivered each to the other.

11.3 OPTIONS TO PURCHASE. Landlord hereby grants to Tenant the following options provided, in each case, that Tenant is not in default under this Lease beyond any applicable grace periods:

A. The option to purchase the premises in the event that Landlord is unwilling or unable (for reasons other than Tenant's financial condition or Landlord's inability to obtain mortgage financing satisfactory to Tenant and consistent with the requirements of this Lease) to construct the Additional Building and to lease the Additional Building to Tenant pursuant to Section 11.2 of this Lease, for a purchase price equal to the sum of:

- (1) The dollar amount of the then outstanding Mortgage Loan balance or balances of loans secured by the Premises (so long as such loans have been approved and consented to by Tenant) assuming that debt service payments thereon are made on a regular basis as required by the terms of the loans; plus
- (2) The greater of:

- (a) the amount set forth on EXHIBIT F attached hereto; or
  - (b) the "Fair Market Value" as determined below; plus
- (3) Any costs of Landlord associated with the exercise of the option to purchase by Tenant.

Such option shall be exercisable by notice to Landlord given within one hundred twenty (120) days of notice from Landlord to Tenant that Landlord is unwilling or unable (for reasons other than Tenant's financial condition or Landlord's inability to obtain mortgage financing satisfactory to Tenant and consistent with the requirements of this Lease) to expand the premises pursuant to Section 11.2.

B. The option to purchase the Premises (which shall include the Additional Building if the option to expand pursuant to Section 11.2 has been exercised), either at the expiration of the original Term or at any time after the original Term of this Lease provided the Term has been extended pursuant to Section 11.1 hereof. Tenant's option to purchase at the expiration of the original Term is exercisable by written notice of intention to purchase given on or before the date which is twelve (12) months prior to the expiration of the original Term. Tenant's option to purchase at any time after the original Term of this Lease may be exercised by written notice of such intention to purchase given at any time after the original Term of this Lease. However, if after giving such required notice the closing date for Tenant's purchase under this clause B does not occur prior to the expiration of any applicable Term of this Lease, as the case may be, due to Landlord's default, then said Term of this

Lease shall be extended until such closing date. The purchase price under this subsection shall be the sum of:

- (1) The dollar amount of the then outstanding Mortgage Loan balance or balances of loans secured by the Premises (so long as such loans have been approved by and consented to by Tenant) including, without limitation, any loan used to finance the Additional Buildings assuming debt service payments thereon are made on a regular basis as required by the terms of the loans; plus
- (2) The lesser of:
  - (a) Six Million Dollars (\$6,000,000) compounded annually at a rate of five percent (5%); or
  - (b) Fair Market Value; plus
- (3) Any costs of Landlord associated with the exercise of the option to purchase.

C. For purchases made pursuant to this Section, the closing of the purchase (the "Closing Date") pursuant to clause A. shall occur on the sixtieth (60th) day after notice by Tenant to Landlord of Tenant's election to purchase or on the next succeeding business day if such sixtieth (60th) day shall occur on a nonbusiness day, and if pursuant to clause B., such closing shall occur either during the twelve (12) month period prior to the expiration of the original Term if notice is given on or before the date twelve (12) months prior to the expiration of the original Term or on the thirtieth (30th) day after such notice or on the next succeeding business day if

such thirtieth (30th) day shall occur on a nonbusiness day in the event notice is given after the expiration of the original Term.

If Tenant exercises any option to purchase pursuant to this Section or Section 11.4 or 11.5, the purchase price shall be paid by a check or checks drawn by a Boston bank or banks on the Federal Reserve Bank of Boston or in such other manner as will make the consideration available in Boston to Landlord for investment on the Closing Date and the Premises in its then physical condition shall be simultaneously conveyed at noon on the Closing Date by a good and sufficient quitclaim deed running to Tenant or such nominee as shall have been designated by at least thirty (30) days' notice to Landlord, delivered at the Norfolk Registry of Deeds, conveying a good and clear record and marketable title thereto subject only to, and with the benefit of, the following matters effecting the premises on the Closing Date:

1. Rights and easements now effecting the premises as described in EXHIBIT D.
2. Easements and agreements hereafter affecting the Premises so far as in force and applicable on the Closing Date, voluntarily created by Landlord at any time with Tenant's approval.
3. Real estate taxes assessed or to be assessed upon the Premises.
4. Balances, if any, remaining due and unpaid on account of betterment assessments on the premises.
5. Laws and regulations of any governmental authority.

6. Any changes in the Premises which may have occurred as a result of, and any easements or restrictions imposed by, takings by eminent domain.

Closing adjustments of the usual and customary items shall be made between the parties taking into account the provisions of this Lease and the respective obligations of the parties with respect to the payment of such items.

In regard to mortgages to which the premises is subject immediately prior to the purchase, there shall be paid directly by official bank or certified check to the holder of such mortgage, for the purpose of discharging the same, such portion of the purchase price as is necessary to pay all amounts (including without limitation any prepayment penalties) secured by such mortgages and the remaining balance of the purchase price shall be paid to Landlord. The preceding sentence shall not require Tenant to pay a purchase price for the Premises in excess of the amount elsewhere established in this Lease. In the event Tenant exercises any right to purchase the property pursuant to the options set forth in clause A. or clause B. of this Section and thereafter defaults in its obligations to Landlord and fails to complete the purchase of the Property after having exercised its right to do so, Landlord shall not seek damages or specific performance against Tenant on account of such default or failure and such default shall not constitute a default under this Lease. Landlord shall, however, be entitled to reimbursement by Tenant for its reasonable out-of-pocket expenses incurred in connection with Tenant's exercise of its purchase right and

Tenant shall have no further right to purchase pursuant to the option under which it failed to complete such purchase.

D. "Fair Market Value" shall be the fair market value of the Premises valued as unimproved and unencumbered by this Lease as determined by three appraisers, one selected by Landlord one by Tenant, and a third by the two appraisers so selected, all of whom shall have had at least ten (10) years' experience in appraising commercial real estate in the greater Boston area. The appraisers shall be instructed by the parties appointing them to make their appraisals as if zoning and environmental laws and regulations in effect on the date of appraisal allow the then existing improvements on the Premises. Further, such appraisers shall be instructed to make their appraisals within ninety (90) days after their appointment. If such appraisals are unable to agree on such fair market value, the average of their three (3) appraisals shall be deemed such fair market value. The cost of such appraisal shall be borne equally by Landlord and Tenant.

11.4 RIGHT OF FIRST REFUSAL. Subject to the provisions of subsection 11.4.3 below, Landlord hereby grants to Tenant the following right of first refusal to purchase the Premises provided, that this Lease shall be in effect at the time of the exercise by Tenant of its rights hereunder and that Tenant is not in default under this Lease beyond any applicable grace period.

11.4.1 In the event Landlord shall decide to offer the Premises for sale, Landlord shall first give notice to Tenant of its intention to sell the Premises and Tenant shall have the right, for a period of thirty (30) days after Landlord's notice of

intention to sell, to notify Landlord of Tenant's interest in purchasing the Premises. If Tenant so notifies Landlord and the parties agree on a purchase price the Premises shall be sold by Landlord to Tenant at that price. Landlord shall not offer to sell the Premises to a third party without first complying with the above procedures and providing Tenant the opportunity of purchasing the Premises.

11.4.2 Landlord shall not sell the Premises to a third party unless (i) Landlord has received a bona fide written offer to purchase the Premises, (ii) Landlord has given Tenant a copy of the offer together with (1) indication that Landlord is willing to accept the offer and (2) an offer by Landlord to Tenant to sell the Premises on the same terms and conditions set forth in the offer, and (iii) Tenant shall not have agreed within sixty (60) days after Tenant's receipt of the notice and offer to purchase the Premises in accordance with the offer.

In the event Tenant agrees to purchase the Premises, Tenant shall comply with all the terms and conditions of the offer, except that in no event shall Tenant be required to pay the consideration or complete the purchase in less than one hundred twenty (120) days from the date of Landlord's notice and offer.

In the event Tenant shall not have agreed to purchase the Premises within the time specified above, Landlord shall have the right to sell the Premises to any third party in accordance with the terms and conditions set forth in the offer.

11.4.3 The foregoing rights of Tenant set forth in this Section 11.4 shall not be applicable to transfers and sales made to affiliates of Landlord, immediate family members of Francis J. Perry, Jr., or William J. Walker or entities of which such

immediate family members or Francis J. Perry, Jr., William J. Walker own at least a fifty percent (50%) beneficial interest, and shall not be applicable to the placing of any bona fide mortgage on the premises pursuant to Section 3.8 or Section 11.2 of this Lease, to the foreclosure thereof or to the delivery of a deed or any other transfer in lieu of such foreclosure, as the case may be.

11.4.4 In the event Tenant exercises any right to purchase the Premises pursuant to the options set forth in this Section 11.4 and thereafter defaults in its obligations to Landlord and fails to purchase the Premises, Landlord shall not seek damages or specific performance of Tenant's obligation to purchase the Premises and such default shall not constitute a default under this Lease. Landlord shall, however, be entitled to reimbursement by Tenant for its reasonable out-of-pocket expenses incurred in connection with Tenant's exercise of its purchase right and Tenant shall have no further right to purchase pursuant to the option under which it failed to complete such purchase.

11.5 PURCHASE RIGHTS FOLLOWING EMINENT DOMAIN. In the event Landlord elects to terminate this Lease pursuant to Section 7.2, then Tenant shall have the right for a period of thirty (30) days after such termination to notify Landlord of Tenant's intention of purchasing the Premises or any remaining portion thereof owned by Landlord. If Tenant so notifies Landlord of its intention to purchase the entire Premises, the

[End of page]

Premises shall be sold by Landlord to Tenant at the applicable purchase price set forth in either clause A. or clause B. of Section 11.3. If Tenant exercises its right to purchase the Premises or such remaining portion thereof, the provisions of Section 11.3 (dealing with the form of the purchase price, the place of the delivery thereof, the form of the deed, the matters to which the deed is subject and the closing adjustments) shall apply to the sale, and the purchase shall occur on the sixtieth (60th) day after Tenant's exercise of its right to purchase, or on the next succeeding business day if such sixtieth (60th) day shall occur on a nonbusiness day.

EXECUTED as a sealed instrument as of the 1st day of May, 1992.

Landlord:

Tenant:

ANALOG DEVICES, INC.

/s/ Francis J. Perry, Jr.  
Francis J. Perry, Jr.  
as Trustee of Everett  
Street Trust, for himself  
and co-trustee and not  
individually

By: /S/ Joe McDonough

-----  
Name: Joe McDonough  
Title: VP Finance & CFO

## EXHIBIT A

## LOTS 4C and 4D LEGAL DESCRIPTION

Being the improved parcels of land located in Norwood, Massachusetts containing approximately 24.13 acres and shown as "Lot 4C" and "Lot 4D" on a plan entitled "Plan of Land in Norwood, Mass." dated January 20, 1992 prepared by Norwood Engineering Company, Inc., 1410 Boston - Providence Highway (Route 1), Norwood, Massachusetts 02062 recorded with the Norfolk County Registry of Deeds on May 20, 1992 as Plan #342 of 1992 Plan Book 406, and more fully described as follows:

Commencing at a point at the intersection of westerly sideline of Walper Street and the Norwood/Westwood Town Line and

THENCE S 84(degree)13' 13" E, 523.75 feet;  
 THENCE S 48(degree)41' 13" E, 0.72 feet;  
 THENCE By the westerly sideline of Downey Street  
 the following courses and distances:  
 THENCE S 27(degree)36' 15" W, 50.98 feet;  
 THENCE S 16(degree)19' 22" W, 45.78 feet;  
 THENCE S 05(degree)11' 29" W, 291.56 feet;  
 THENCE S 08(degree)55' 58" W, 47.19 feet;  
 THENCE S 00(degree)22' 58" W, 144 feet;  
 THENCE S 21(degree)25' 59" E, 86.19 feet;  
 THENCE S 12(degree)07' 15" E, 89.56 feet;  
 THENCE S 08(degree)17' 50" E, 492.77 feet; and  
 THENCE 63.38 feet on a curve to the right of radius 35 feet;  
 THENCE By the northerly sideline of Everett Street  
 the following courses and distances:  
 THENCE 68.09 feet on a curve to the right of radius 1400 feet;

THENCE 273.46 feet on a curve to the left of radius 846 feet; and  
THENCE 97.32 feet on a curve to the right of radius 100 feet;  
THENCE By the northerly sideline of University  
Avenue the following courses and distances:  
THENCE 338.74 feet by curve to the left of radius 1032 feet;  
THENCE N 63(degrees)19' 02" W, 250 feet;  
THENCE 494.52 feet by curve to the right of radius 1135.84 feet; and  
THENCE 80.58 feet along a curve to the right of radius 80 feet;  
THENCE N 19(degrees) 20' 44" E, for two courses  
totalling 315.22 feet along the easterly  
sideline of the Boston - Providence Highway;  
THENCE S 70(degrees)39' 16" E, 660 feet;  
THENCE N 19(degrees)20' 44" E, 370 feet;  
THENCE N 08(degrees)04' 26" W, 107.95 feet;  
THENCE N 84(degrees)13' 13" W, 55.74 feet; and  
THENCE N 05(degrees)46' 47" E, 50 feet to the point of beginning.

Together with appurtenant rights under an easement for provision of  
electrical and communication services set forth in an instrument dated May 1,  
1992 and recorded with the Norfolk County Registry of Deeds on May 20, 1992 as  
Instrument No. 58634.

EXHIBIT A-1  
[Survey of Premises]

## EXHIBIT B

## Rent Schedule

The annual Fixed Rent shall be an amount equal to the sum of (a) the actual debt service payments (including principal and interest [including, without limitation, any contingent or additional interest or interest charged pursuant to a default thereunder and any administrative or penalty charges due under any instruments evidencing the financing], as the case may be) due under the financing secured by the Premises and in effect on the date of this Lease or procured for the Premises pursuant to Section 3.8 hereof or any refinancing thereof pursuant to the provisions of this Lease (the "Debt Service portion of Fixed Rent") plus (b) the annual Land Rent set forth below.

The annual Land Rent portion of Fixed Rent shall be as follows:

YEARS	PERIOD	LAND RENT
1-5	Commencement Date - 3/31/97	\$332,000
6-10	4/1/97 - 3/31/02	\$482,000
11-15	4/1/02 - 3/31/07	\$638,000
16-20 (Option 1)	4/1/07 - 3/31/12	\$739,000
21-25 (Option 2)	4/1/12 - 3/31/17	\$831,000
26-30 (Option 3)	4/1/17 - 3/31/22	\$941,000

## EXHIBIT C

## Improvement Work

The work and improvements set forth in the following: "Plans and Specifications for Analog Devices, Inc., Building 3 Renovation, 3 Technology Way, Norwood, Massachusetts 02062-9106" developed and stamped by Margulies & Associates, 186 Lincoln Street, Boston, Massachusetts 02111 dated November 4, 1992, with revisions as indicated.

## EXHIBIT D

to Lease between Trustees of Everett Street Trust  
and Analog Devices, Inc.

## ENCUMBRANCES AFFECTING THE LEASED PREMISES

1. Title to and rights of the public and others entitled thereto in and to those portions of the insured premises lying within the bounds of Everett Street and Downey Street.
2. Terms and provisions of Permit issued by the Commonwealth of Massachusetts Department of Public Works No. 6-11937 recorded with the Norfolk County Registry of Deeds in Book 5219, Page 543.
3. Rights and easements in Downey Street granted to Rodger P. Nordblom and Russell J. Fogelin, Trustees, dated August 10, 1979, and recorded with said Deeds in Book 5641, Page 257.
4. A sixty-five foot (65') utility easement adjoining the Boston-Providence Turnpike for installation of underground utilities, including the right to maintain, repair or replace such utilities, provided that any damage caused by such repair or replacement is promptly restored.
5. Rights of access and egress to and from Lot 3C and for installation of underground utilities, including the right to maintain, repair, or replace utilities, provided that any damage caused by such repair or replacement is promptly restored, set forth in an instrument dated May 1, 1992 and recorded with said Deeds on May 20, 1992 as Document No. 58635.
6. Restrictions set forth in a Declaration of Restrictions of even date herewith recorded with said Deeds on May 20, 1992 as Document No. 58636.

## EXHIBIT E-1

END OF YEAR	PERCENT
1-14	N/A
15	50.0%
16	43.2%
17	35.7%
18	27.4%
19	18.3%
20	8.2%
20.75	0.0%

## EXHIBIT E-2

End of Year -----	Outstanding Principal -----
1-14	N/A
15	\$6,533,165
16	\$6,335,098
17	\$6,116,291
18	\$5,874,571
19	\$5,607,541
20	\$5,312,549
21	\$4,986,667
22	\$4,626,662
23	\$4,228,959
24	\$3,789,611
25	\$3,304,258
26	\$2,768,083
27	\$2,175,762
28	\$1,521,418
29	\$ 798,556
30	\$ (0)

## EXHIBIT F

END OF YEAR -----	PRICE -----
1 to 5	\$3,000,000
6	\$3,215,320
7	\$3,446,095
8	\$3,693,433
9	\$3,958,524
10	\$4,242,641
11	\$4,547,150
12	\$4,873,514
13	\$5,223,303
14	\$5,598,198
15	\$6,000,000

## REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT (this "Agreement") dated May 18, 1992, made by and between Francis J. Perry, Jr. and William Walker as Trustees of Everett Street Trust under declaration of trust dated May 9, 1980 recorded with Norfolk County Registry of Deeds, Book 5745, Page 654, as amended of record, having an address at P.O. Box 158, Islington, Massachusetts 02090 (the "Everett Trust") and Analog Devices, Inc., a Massachusetts corporation located at One Technology Way, P.O. Box 9106, Norwood, Massachusetts 02062-9106 ("Analog").

## WITNESSETH:

WHEREAS, The First National Bank of Boston, a national banking association, having a business address at 100 Federal Street, Boston, Massachusetts 02110 (the "Bank"), is this day making a term loan to the Everett Trust in the maximum principal amount of Nine Million Seven Hundred Fifty Thousand (\$9,750,000.00) Dollars (the "Loan"); and

WHEREAS, the Loan will be evidenced by a Promissory Note of even date herewith from the Everett Trust to the Bank in the maximum Principal amount of Nine Million Seven Hundred Fifty Thousand (\$9,750,000.00) Dollars (the "Note"); and

WHEREAS, it is a condition of the obligation of the Bank to make the Loan that Analog enter into a Note Purchase Agreement of even date herewith (the "Note Purchase Agreement"), pursuant to which Analog will agree to Purchase and pay for the Note in the event of a default under the Note or under the instruments securing the Note, all in accordance with the terms and conditions of the Note Purchase Agreement; and

WHEREAS, it is a condition of Analog executing the Note Purchase Agreement that the Everett Trust enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreement contained herein, and for other valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The Everett Trust will, immediately upon receipt of written demand made by Analog, reimburse Analog for all amounts which Analog pays to the Bank Pursuant to the Note Purchase Agreement or any other document executed by Analog in connection therewith (the "Analog Documents"), and all charges, costs, and expenses incurred or paid by Analog in connection with the exercise by Analog of any right, power, or remedy under the Note Purchase Agreement or under the

Analog Documents or the exercise by Analog of any right, power, or remedy under this Agreement or under the Mortgage and Security Agreement of even date herewith from the Everett Trust to Analog (the "Mortgage") securing this Agreement, all with interest at the default rate of interest set forth in the Note from the date of any default under this Agreement until reimbursement is made pursuant to this Agreement, including all costs of collection (including reasonable attorneys fees) and all costs of suit or the foreclosure by Analog of the Mortgage or other Security Documents (as hereinafter defined) or in the event Analog is made party to any litigation because of the existence of any indebtedness hereunder or because of the existence of the Mortgage or Security Documents (all such costs, charges and expenses collectively, the "Reimbursement Costs").

2. This Agreement shall be secured by a Mortgage encumbering certain real and personal property located in Norwood, Massachusetts, as more particularly described therein, and any other instruments now or hereafter executed by the Everett Trust which in any manner constitute additional security for this Agreement (all of which are hereinafter referred to as the "Security Documents"), together with the improvements situated thereon. In the event that Analog should become the holder of the Note pursuant to the terms of the Note Purchase Agreement, the Security Documents shall remain in full force and effect and shall secure all sums due under the Note.

3. The rights or remedies of Analog as provided in this Agreement and the Security Documents shall be cumulative and concurrent, and may be pursued singly, successively, or together against the Everett Trust, the property described in the Mortgage and any other funds, property or security held by Analog for the payment of any and all sums due hereunder or otherwise at the sole discretion of Analog. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of said rights or remedies or of the right to exercise them at any later time.

4. All notices to be given pursuant to this Agreement shall be sufficient if mailed postage prepaid, certified or registered mail, return receipt requested, to the above described address of the parties hereto, or to such other address as a party may request in writing. Any time period provided in the giving of any notice hereunder shall commence upon the date such notice is deposited in the mail.

5. Notwithstanding anything to the contrary contained herein, this Agreement is subject to the terms and conditions of a Letter Agreement of even date herewith between the Everett Trust and Analog.

6. This Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except only by an instrument in

writing and signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought.

7. Notwithstanding anything to the contrary contained herein or in the Security Documents, neither the undersigned nor any beneficiaries of the Everett Trust as individuals or as a partnership or partners thereof shall have any personal liability for amounts due under this Agreement. Analog agrees not to seek a deficiency judgment or personal money judgment against the undersigned or said beneficiaries as individuals or as a partnership or partners thereof for any default under this Agreement or the Security Documents; provided that (i) nothing herein contained shall be construed to prohibit or limit Analog from exercising or enforcing any other remedy allowed by law or equity or by the terms of the Mortgage, or any other Security Document of any kind, in securing the payments due under this Agreement, and all other sums due, and (ii) nothing herein contained will be deemed to be a release or an impairment of any other indebtedness or obligation evidenced hereby or under the aforesaid instruments.

8. This Agreement shall be construed according to and governed by the laws of the Commonwealth of Massachusetts.

This Agreement is executed as a sealed instrument as of the date first hereinabove written.

/s/ Francis J. Perry, Jr

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FRANCIS J. PERRY, JR., as Trustee of Everett Street Trust, for himself and co-Trustee, but not individually

ANALOG DEVICES, INC.

By: /s/ Joe McDonough

-----  
Its: VP Finance & CFO  
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## ANALOG DEVICES, INC.

Form of

## EMPLOYEE RETENTION AGREEMENT

c/o Analog Devices, Inc.  
Two Technology Way  
Norwood, Massachusetts

Dear \_\_\_\_\_:

Analog Devices, Inc. (the "Company") recognizes that, as is the case with many publicly-held corporations the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among key personnel, may result in the departure or distraction of key personnel to the detriment of the Company, its stockholders and its customers.

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of the Company's key personnel, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in its employ, the Company agrees that you shall receive the severance benefits set forth in this letter agreement (the "Agreement") in the event your employment with the Company is terminated under

the circumstances described below subsequent to a "Change in Control" of the Company (as defined below).

1. CERTAIN DEFINITIONS.

As used herein, the following terms shall have the following respective meanings:

(a) A "CHANGE IN CONTROL" shall occur or be deemed to have occurred only if any of the following events occur: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of the date hereof, constitute the Board (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection

with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 50% of the combined voting power of the Company's then outstanding securities; or (iv) 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 all or substantially all of the Company's assets.

(b) A "POTENTIAL CHANGE IN CONTROL" shall be deemed to have occurred if:

(A) the Company enters in an agreement, the consummation of which would result in the occurrence of a Change in Control of the Company,

(B) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company; or

(C) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Company has occurred.

(c) An "APPROVED CHANGE IN CONTROL" shall mean any Change in Control that the Board, by resolution adopted prior to the occurrence of any of the events constituting a Change in Control, specifically and expressly declares shall constitute an "Approved Change in Control" for purposes of this Agreement.

(d) A "HOSTILE CHANGE IN CONTROL" shall mean any Change in Control other than an Approved Change in Control.

## 2. TERM OF THE AGREEMENT.

The term of this Agreement (the "Term") shall commence on January 1, 1989 and shall continue in effect through December 31, 1990; provided, however, that commencing on January 1, 1991 and each January 1 thereafter, the Term shall be automatically extended for one additional year unless, not later than September 30 of the preceding calendar year, the Company shall have given you written notice that the Term will not be extended; and provided further that, if a Change in Control of the Company shall have occurred during the original or extended Term, this Agreement shall continue in effect for a period of not less than 24 months beyond the month in which such Change in Control occurred.

3. CHANGE IN CONTROL; POTENTIAL CHANGE IN CONTROL.

(a) No benefits shall be payable under this Agreement unless there has been a Change in Control of the Company during the Term.

(b) You agree that, notwithstanding any provision to the contrary in this Agreement, in the event of a Potential Change in Control of the Company, you will not voluntarily resign as an employee of the Company until the earliest of (A) a date which is six (6) months after the occurrence of such Potential Change in Control of the Company or (B) the termination by you of your employment by reason of Disability as defined in Section 4(b)(i) or for Good Reason as defined in Section 4(b)(iii).

4. EMPLOYMENT STATUS; TERMINATION FOLLOWING CHANGE IN CONTROL.

(a) You acknowledge that this Agreement does not constitute a contract of employment or impose on the Company any obligation to retain you as an employee and, except as set forth in Section 3(b), this Agreement does not prevent you from terminating your employment at any time. If your employment with the Company terminates for any reason and subsequently a Change in Control shall have occurred, you shall not be entitled to any benefits hereunder. Any termination of your employment by the Company or by you following a Change in Control of the Company during the Term shall be communicated by written notice of termination ("Notice of Termination") to the other party hereto in accordance with Section 7. The "Date of Termination" shall mean the effective date of such termination as specified in the Notice of Termination (provided that no such Notice of Termination

shall specify an effective date more than 180 days after the date of such Notice of Termination).

(b) Notwithstanding anything to the contrary herein, you shall be entitled to the benefits provided in Section 5 only if either (1) an Approved Change in Control shall have occurred during the Term and your employment with the Company is subsequently terminated or terminates within 24 months after such Approved Change in Control, unless such termination is (A) because of your death, (B) by the Company for Disability (as defined in Section 4(b)(i)) or Cause (as defined in Section 4(b)(ii)), or (C) by you other than for Good Reason (as defined in Section 4(b)(iii)), or (2) a Hostile Change in Control shall have occurred during the Term and your employment with the Company is subsequently terminated by either you or the Company within 12 months after such Hostile Change in Control for any reason other than your death or Disability or termination by the Company for Cause.

(i) DISABILITY. If, as a result of incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six (6) consecutive months and, within thirty (30) days after written notice of termination is given to you, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Any termination for Disability under this Agreement shall not affect any rights you may otherwise have under the Company's Long-Term Disability Plan.

(ii) CAUSE. Termination by the Company of your employment for "Cause" shall mean termination (A) upon your willful and continued failure to

substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination by you for Good Reason as defined in Section 4(b)(iii)), provided that a written demand for substantial performance has been delivered to you by the Company specifically identifying the manner in which the Company believes that you have not substantially performed your duties and you have not cured such failure within 30 days after such demand, or (B) by reason of your willful engaging in conduct which is demonstrably and materially injurious to the Company. For purposes of this subsection, no act or failure to act on your part shall be deemed "willful" unless done or omitted to be done by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

(iii) GOOD REASON. For purposes of this Agreement, "Good Reason" shall mean, without your written consent, the occurrence after a Change-in-Control of the Company of any of the following circumstances unless, in the case of paragraphs (A), (C), (D), (F) or (G), such circumstances are fully corrected prior to the Date of Termination (as defined in Section 4(a)) specified in the Notice of Termination (as defined in Section 4(a)) given in respect thereof:

(A) any significant diminution in your position, duties, responsibilities, power, title or office as in effect immediately prior to a Change in Control;

(B) any reduction in your annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(C) the failure of the Company to continue in effect any material compensation or benefit plan in which you participate immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change in Control or the failure by the Company to award cash-bonuses to its executives in amounts substantially consistent with past practice in light of the Company's financial performance;

(D) the failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits, or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control;

(E) any requirement by the Company or of any person in control of the Company that the location at which you perform your principal duties for the Company be changed to a new location outside a radius of 50 miles from your principal residence at the time of the Change in Control;

(F) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the Agreement, as contemplated in Section 6; or

(G) any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7, which purported termination shall not be effective for purposes of this Agreement

5. COMPENSATION UPON TERMINATION. Following a Change in Control of the Company, you shall be entitled to the following benefits during a period of disability, or upon termination of your employment, as the case may be, provided that such period or termination occurs during the Term:

(a) During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive base salary and all other earned compensation at the rate in effect at the commencement of any such period (offset by all compensation payable to you under the Company's disability plan or program or other similar plan during such period) until your employment is terminated pursuant to Section 4(b)(i) hereof. Thereafter, or in the event your employment is terminated by reason of death, your

benefits shall be determined under the Company's long-term disability, retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(b) If your employment shall be terminated by the Company for Cause or by you other than for Good Reason following an Approved Change in Control, the Company shall pay you your full base salary and all other compensation through the Date of Termination at the rate in effect at the time the Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(c) If your employment with the Company is terminated by the Company (other than for Cause, Disability or your death) or by you for Good Reason within 24 months after an Approved Change in Control or if your employment with the Company is terminated by you or the Company for any reason (other than your death or Disability or termination by the Company for Cause) within 12 months after a Hostile Change in Control, then you shall be entitled to the benefits below:

(i) the Company shall pay to you (A) your full base salary and all other compensation through the Date of Termination at the rate in effect at the time the Notice of Termination is given, no later than the full fifth day following the Date of Termination, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due and (B) if you so elect, in lieu of your right to continue to receive deferred compensation under any

deferred compensation plan of the Company then in effect, no later than the fifth full day following the Date of Termination, a lump-sum amount, in cash, equal to the deferred amounts together with any earnings credited on such amounts under such plan;

(ii) in lieu of any further salary payments for periods subsequent to the Date of Termination, the Company will pay as severance pay to you, at the time specified in Subsection (e) below, a lump sum severance payment (together with the payments provided in paragraph (iv) below, the "Severance Payments") in an amount equal to the sum of (A) 200% of the higher of (i) your annual base salary in effect on the Date of Termination or (ii) your annual base salary in effect immediately prior to the Change in Control, plus (B) 200% of the aggregate cash bonuses paid or awarded to you in respect of the four fiscal quarters preceding the Date of Termination;

(iii) the Company shall pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder); and

(iv) for a twenty-four (24) month period after such termination, the Company shall arrange to provide you with life, disability, dental, accident and group health insurance benefits substantially similar to those which you were

receiving immediately prior to the Notice of Termination. Notwithstanding the foregoing, the Company shall not provide any benefit otherwise receivable by you pursuant to this paragraph (iv) if an equivalent benefit is actually received by you during the twenty-four (24) month period following your termination, and any such benefit actually received by you shall be reported to the Company.

(d) In the event that you become entitled to the Severance Payments, if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall pay to you at the time specified in Subsection (e) below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Total Payments (as defined below), but before deduction of any federal, state and local income tax and Excise Tax upon the payment provided for by this subsection, shall be equal to the Total Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (A) any other payments or benefits received or to be received by you in connection with a Change in Control of the Company or your termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Change in Control of the Company or any person affiliated with the Company or such person) (which, together with the Severance Payments, shall constitute the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess

parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to you such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (B) the amount of the Total Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (I) the total amount of the Total Payments or (II) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (A), above), and (C) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment, you shall repay to the

Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code, provided that you shall be required to make such repayment only if you are notified by the Company as to the amount of such repayment within 12 months after payment of the Severance Payments to you. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

(e) The payments provided for in Subsections 5(b), (c) and (d) shall be made not later than the fifth day following the Date of Termination; provided, however, that, if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a

loan by the Company to you, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(f) Except as provided in the second sentence of Subsection 5(c)(iv) hereof, you shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 5 be reduced by any compensation earned by you as a result of employment by another employer, by retirement benefits or by offset against any amount claimed to be owed by you to the Company or otherwise.

6. SUCCESSORS; BINDING AGREEMENT.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain an assumption of this Agreement prior to the effectiveness of any succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled hereunder if you had terminated your employment for Good Reason immediately after an Approved Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the

Company as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or if there is no such designee, to your estate.

7. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be duly given when delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the President of the Company, at Two Technology Way, Norwood, Massachusetts 02062, and to you at the address shown above or to such other address as either the Company or you may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. MISCELLANEOUS.

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

(b) The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

(c) No waiver by you at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

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

(e) Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law.

(f) This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Sincerely,  
ANALOG DEVICES, INC.

By \_\_\_\_\_

Agreed to this 16th day of January, 1989

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Print Name

Address: \_\_\_\_\_  
\_\_\_\_\_

ANALOG DEVICES, INC.

September 4, 1991

c/o Analog Devices, Inc.  
Two Technology Way  
Norwood, MA 02062

Re: Amendment to Employee Retention Agreement

Dear

This letter is to confirm that the Employee Retention Agreement dated January 16, 1989, between you and Analog Devices, Inc. is hereby amended as follows:

In Section 5(c) (ii) (A) and (B), the phrase "200% of" is changed to "2.99 multiplied by".

In all other respects, such Employee Retention Agreement shall remain in force and effect in accordance with the terms thereof.

Very truly yours.

ANALOG DEVICES, INC.

By \_\_\_\_\_

Agreed to:

\_\_\_\_\_

CONTRACT DOC NO	AC881	DIVISION PMI
PARTIES	ELLIOTT'S ENTERPRISE CO., LTD. 7F NO. 9 WU KUNG 5TH ROAD WU KU INDUSTRIAL PARK HSIN CHUNG CITY, TAIPEI HSIEN TAIWAN.	DIVISION CONTACT ALICE CHEN RICHARD FORREST
	REN MIN COMPANY LIMITED 9 FIVE KUNG FIVE ROAD, HSIN CHUN, TAIWAN (53,364 SQ. FT.)	EFFECTIVE DATE SEPT. 19, 1996 TERMINATION DATE DEC. 31, 2001 SALES REP CONTRACT TYPE LEASE COUNTRY TAIWAN CONTR STORAGE LOCAT FILES (REAL ESTATE)
CONTACT	HUANG YING LIANG	CONTRACT TEX LOCAT REMARKS REAL ESTATE LEASE FOR ADI'S PLANT IN TAIWAN. THIS FILE ALSO CONTAINS THE TAIWAN LEASE FOR THE 5TH FLOOR.
ANALOG ATTORNEY	LEE & LI	There are three leases; one for 2nd floor, one for 3rd and 4th floors and one for 5th floor. Each has an option to extend for 3 to 5 years. Note that the options can be exercised individually, meaning not all must be exercised together. If certain floors are no longer needed, that option can be allowed to lapse while the others are exercised. There are options for additional space. (EXPIRES 12.31.96)
PARTY ATTORNEY	UNKNOWN	
ADI INHOUSE ATT	WA WISE	
WORD FILE NAME	GO TO WORD FILE	LEASE FOR FLOORS, 1-5 IN FACTORY BUILDING 9 FIVE-KUNG-FIVE ROAD, HSIN CHUN, TAIPEI HSIEN, TAIWAN

(Translation)

FACTORY BUILDING LEASE AGREEMENT

This Agreement is entered into on Sep. 19, 1996 by and between Lessor, Ren Min Company Limited (hereinafter referred to as "Party A") and Lessee, Analog Devices Taiwan Limited (hereinafter referred to as "Party B") for lease of the Premises as defined below under the terms and conditions set forth below.

Article I - Description of the Premises

1. Party A hereby agrees to continue to lease to Party B, and Party B hereby agrees to continue to lease from Party A, the entire space of the first, second, third, fourth and fifth floors (totalling 53,364 square feet) of the factory building situated at 9, Five-Kung-Five Road, Hsin Chun, Taipei Hsien, and some ancillary facilities and improvements as agreed upon by the parties (hereinafter referred to as "Premises") Party B is hereby granted a preferential right to additionally lease the sixth and/or seventh floor(s) in the same factory building according to Article 15 of this Agreement.
2. The ancillary facilities and improvements mentioned in Paragraph (1) above shall include a parking space sufficient for 25 car parks and such basic fire protecting facilities as fire fighting water hose and emergency lights, etc.
3. The parties hereto acknowledge that the Premises included in this Agreement have been leased by Party A to Party B and are currently being used by Party B and that the existing lease agreements for the Premises will continue to be in full force once effect until December 31, 1996 and shall not be terminated or otherwise affected by the execution of this Agreement.

Article 2 - Warranties Regarding the Title over and Quality of the Premises

1. Party A hereby warrants that during the term of this Agreement and any renewal thereof, the Premises are and shall remain the property of Party A.
2. Party A hereby warrants that the Premises can be lawfully leased to and used by Party B as factory premises.
3. Party A hereby warrants that the Premises are in good quality and suitable for use as a factory, and that the occupancy permits have been obtained for the factory building in question.

4. Party A further warrants that Party B has the right to make use of and get access to the Premises free from any interference of the other parties (including the owner of land and the government authorities). Party A shall also be responsible for keeping the access road and entrance free from any barrier so as to satisfy the requirement of Party B's operation.

#### Article 3 - Term of Lease

1. This Agreement shall take effect from January 1, 1997 and unless early terminated pursuant to this Agreement, shall continue in full force and effect for a period of five years ending on December 31, 2001. Upon expiration of the five-year term, Party B shall have a right to renew this Agreement for another period from five to seven years. In addition, Party B is hereby granted a right of first refusal to additionally lease any and all spaces in the sixth and/or seventh floor(s) of the same factory building during the initial term or any renewal period thereof.
2. If Party B desires to renew the lease after the expiration of the five-year term, it shall give Party A a renewal notice in writing at least one year prior to the expiration of the initial term and shall agree upon in writing with Party A the rental for such renewal term prior to the expiration of the initial term. The rental for the renewal term shall exclude the costs of basic fire protecting facilities as set forth in Article 1 hereof and shall not exceed the rental level available for identical or similar factory building in the neighborhood.
3. In case Party B desires to exercise the right of first refusal with respect to the other floors of the same factory building, it shall also give Party A a one-year prior written notice. The rental thereof shall be calculated according to the same rental for the third, fourth or fifth floor then in effect.

#### Article 4 - Rental and Deposit

1. The rental for the Premises other than the parking spaces shall be fixed at NT\$1,145,000 per month during five-year lease term (monthly rental for each and every floor is set forth in Annex A attached hereto for reference). The rental for the parking spaces shall be fixed at NT\$1,500 per month per each space during the five-year lease term. The monthly rental for the renewal period shall be determined in accordance with Article 3, Paragraph (2), of this Agreement.
2. The rental shall be payable by Party B to Party A in every three months no later than the fifth day from the beginning of each payment period. The valued-added tax leviable on the rental. Party A shall issue a uniform invoice in full amount against the payment of rental (including the VAT) by Party B.

3. A deposit in the amount of \$3,435,000 had been paid to and received by Party A (Note: Under the current lease, Party B had already paid a deposit in the amount of NT\$3,835,500 which is in excess of the deposit required under this Agreement. The excess amount of NT\$400,500 shall be refunded by Party A to Party B, without any interest, upon the effective date of this Agreement on January 1, 1997). Upon expiration or early termination of this Agreement, Party A shall refund to Party B the deposit without interest at the time when Party B has vacated the premises. In the event the Premises are subject to attachment by the court, or sold or the title thereof is transferred to a third party, Party B shall have the right to offset the undue rental in full against the deposit, unless the assignee of the Premises confirms in writing that he has received from Party A the deposit and undertaken to accept the assignment of this Agreement.
4. In case Party A has breached any of the warranties set forth in Article 2 of this Agreement, which makes Party B unable to lawfully use the Premises, Party B shall have a right to cancel this Agreement upon serving a written notice to Party A. In case this Agreement is so canceled, Party A shall immediately return to Party B the deposit and the undue rental plus an interest to be calculated according to the statutory interest rate.

#### Article 5 - Period for Vacation of the Premises

Upon expiration or early termination of this Agreement, Party B shall be given a period of three months to vacate the Premises, provided that Party B shall continue to pay the rental for the period from the expiration or termination of the term of lease till the date of completion of its vacation of the Premises at the rental rate prevailing on the expiration or termination date.

Any production equipment and commodities left over at the Premises after the expiration of the said three-month period shall belong to and be subject to free disposal of Party A. Should Party A be unwilling to retain such equipment or commodities and has to dispose of the same, the costs and expenses so incurred shall be borne by Party B and Party A may deduct the same from the deposit.

#### Article 6 - Purpose of Lease

The Premises are leased to Party B for its operation of the business as specified in its Company License.

#### Article 7 - Improvements by Party B

1. In order to use the Premises as a factory to operate its business, Party B has the right at any time and from time to time to add, modify and increase or decrease water and power facilities as well as to install necessary equipment and facilities

as required for business operation (hereinafter referred to as "Party B's Improvements"). Any of the change on the structure of the factory building shall, nevertheless, be approved by Party A in advance, which approval shall not be unreasonably withheld. For the purpose of proceeding the Party B's Improvements, if Party A is required to provide written consent and other relevant documents and/or application in the name of Party A for government approval, permit or license, Party A shall agree to forthwith provide such documents and necessary cooperation and assistance. When Party B vacates the Premises upon expiration or termination of this Agreement, any of the Party B's improvements attached to the Premises that cannot be removed shall belong to Party A. In case the registration of title transfer is required therefor, such registration shall be filed by Party A on its own account and any tax registration fees and other charges arising therefrom shall also be borne by Party A.

2. Party A agrees to undertake the responsibility of ensuring the availability and free access by Party B of the roads and entrances surrounding the Premises and agrees to resolve any problem so encountered by Party B therefrom. In addition, Party B shall have the right to get access to the premises, on a 24-hour a day and 7-day a week basis.

#### Article 8 - Repair and Maintenance of the Premises

During the term of this Agreement, regular maintenance and repair of the Premises shall be the responsibility of Party A. Any damages caused by force majeure shall be repaired immediately by Party A, and for the period before the said repair is completed, Party B is entitled to rental reduction or rental free depending upon the extent of unavailability of the Premises. If Party A refuses or delays to repair, Party B shall have the right to do the job by itself and request Party A to reimburse the costs or to deduct the costs from the rental payable.

#### Article 9 - Tax, Dues, Water and Power Supplies and Other Charges

1. Tax and dues leviable in connection with the Premises shall be borne by Party A. Charges of water and power supplies incurred from the use of the Premises by Party B during the term of lease shall be borne by Party B. Costs of water and power supply facilities added by Party B during the term of lease shall also be borne by Party B.
2. Party A shall arrange for the availability of a 24-hour security service and a 10-hour security guard for the factory building. The costs and expenses incurred therefrom shall be shared by Party A and Party B according to their respective occupancies of the factory building.

3. Party A shall, at its own account, purchase fire and accident insurances to cover the Premises and the factory building. Any insurance relating to the facilities and equipment owned by Party B shall be the sole responsibility of Party B.

#### Article 10 - Destruction and Damages of the Premises

During the term of lease, if any destruction and damage of the Premises, totally or partially, should occur due to causes not attributable to Party B's act, Party A shall be responsible for the restoration thereof. During the restoration period, Party B may claim rental deduction or exemption, subject to the extent of availability of the Premises. However, in the case of substantial destruction and damage, Party A or Party B is entitled to claim extinguishing of the Lease.

#### Article 11 - Subletting

1. With the prior written consent of Party A which consent shall not be unreasonably withheld, Party B may assign this Agreement, or sublet or lend to a third party all or any part of the Premises. In addition, Party B shall be entitled to assign this Agreement, or sublet or lend all or any part of the premises to any affiliated enterprise of Party B's main investors upon a prior notice to Party A, provided that the use of the Premises shall comply with Article 6 hereof.
2. In case Party B has breached its obligations under Paragraph (1) of this Article, Party A may terminate this Agreement or request the third party sublessee to move out of the Premises within two months, with the costs and expenses to be borne by Party B. During the period between the termination of the lease and the vacation of the Premises or during the removal period, Party B shall continue to pay the rental or Party A may deduct the same from the deposit.

#### Article 12 - Termination of this Agreement before Expiration

1. Unless otherwise provided herein, if the Premises are no longer able to be used by Party B pursuant to the Section entitled "Purposes of the Lease" contained in Article 6 hereof because of change of laws or due to any other reasons not attributable to either Party, Party B shall be entitled to terminate this Agreement in writing at any time. Party B is also entitled to terminate this Agreement if it intends to cease business operation at the Premises, provided that it shall give a 6 months' prior written notice to Party A. If this Agreement is terminated in accordance with this Article, Party A shall return the deposit and the prepaid but unused rental without any interest to Party B at the same time as Party B moves out of the premises in accordance with this Agreement.
2. Party B shall not produce, sell or store in the premises unlawful articles or any articles dangerous to public safety, or conduct any activities against the

government policy. In case of violation, Party B shall be solely responsible for any result thereof. If Party B's business operation is so suspended by the order of the government, Party A shall have the right to terminate this Agreement.

#### Article 13 - Return of the Premises

Upon expiration, termination or extinction of this Agreement, Party B shall move its production equipment, materials, finished products, office furniture or any other objects out of the premises and return the premises to Party A within 3 months, and shall not claim any compensation of the removal costs. In the event of any damages to the Premises due to Party B's fault, Party B shall be liable for any repair to restore the Premises to the original condition as soon as possible. However, if the damages are caused due to normal wear or causes not attributable to Party B, Party B shall not be responsible for such damage. Any of the Party B's Improvements that are unable to be removed shall be surrendered to Party A in their existing condition. At the time of return of the premises, in the event of any damage which Party B is liable for repair, Party A may withhold from the returnable deposit an amount equivalent to the repair expenses, and return the balance thereof to Party B after the repair is completed by Party B. However, Party B may opt to give up the deposit withheld by Party A and be exempt from the repair responsibility. When Party B receives the deposit and the prepaid but unused rental returned by Party A, Party B shall provide the original copy of the Factory License and the application for cancellation of the factory registration to Party A so that Party A may apply for cancellation of the registration of Party B's factory registration.

#### Article 14 - Punishment for Default

1. In case of delay of the rental payment, Party B shall pay to Party A a delay interest calculated at the prevailing highest bank loan annual interest rate on the delayed rental for the days delayed until the date of full payment. If Party B delays in paying the rental for three months or more, Party A may terminate the lease hereof and may deduct from the returnable deposit the amount equivalent to one month's rental as liquidated damage for the termination thereof.
2. If Party B fails to move out of the Premises within 3 months after the expiration, termination or extinction of this Agreement, it shall pay Party A a daily default penalty at a rate of two times of the said rental, counting from the day of the expiration of the said 3-month period to the day of return of the Premises. Party A may also deduct such penalty from the deposit. On the contrary, if Party A fails to return to Party B the returnable deposit and the prepaid but unused rental at the time as Party B moves out of the Premises, Party B may refuse to deliver the Premises, and Party A shall pay delay interest calculated at the prevailing highest bank loan annual interest rate on the returnable but not returned amount, counting until the day of return of the said amount.

## Article 15 - Right of First Refusal

1. During the term of this Agreement, if Party A desires to lease any of the other floors in the same factory building to others, Party B shall have the right of first refusal to lease the same under the same terms and conditions as set forth in this Agreement. In case Party B requires any other floors of the same factory building for its business expansion and Party A has vacant floors available for lease, Party B shall also have the preferential right to lease such floors under the same terms and conditions as set forth in this Agreement.
2. During the term of this Agreement, if Party A intends to sell the Premises to a third party, Party B shall have the right of first refusal to purchase the same. Party A shall notify Party B in writing of the provisions of sale and purchase of the premises agreed between Party A and the third party, and shall give Party B a three-month period to exercise such right. If Party B decides to exercise the right, an agreement of sale and purchase shall take effect at the time as Party B's written notice stating the exercise of such right has been served on Party A. The parties hereto shall then perform their respective obligations pursuant to the provisions of sale and purchase contained in the original written notice from Party A, and this Agreement shall terminate as of the date on which Party B retains the title of the Premises. In the event of any delay of Party B's acquisition of the premises due to reasons attributable to Party A, Party B is not required to pay any rental for the delay period.  
  
If Party B fails to exercise its right of first refusal within the prescribed period, Party A is entitled to sell the Premises to the third party in accordance with the provisions of sale and purchase originally notified to Party B, provided that this Agreement shall in no event be affected. Moreover, Party A shall be responsible to ensure that such purchaser would execute a written acknowledgement agreeing to be bound by this Agreement and to be liable for the return of the deposit. In the event of any alteration in the provisions of sale and purchase by which Party A intends to sell the Premises to a third party, Party B shall also enjoy the same right of first refusal in accordance with the altered provisions of sale and purchase.
3. After the Premises have been purchased by Party B or the parties hereto have reached an agreement of sale and purchase in accordance with this Article, Party A shall not claim any interest on any of the Party B's Improvements.

Article 16

This Agreement is executed in duplicate with each party holding one original as evidence.

Party A:

Ren Min Company Limited

By: /s/ [illegible signature]

-----  
Title: Chairman of the Board  
Address:

Party B:

Analog Devices Taiwan Limited

By: /s/ Joe McDonough

-----  
Title: Chairman of the Board  
Address:

## AGREED MONTHLY RENT - JULY 25, 1996

Unit: NT\$/Month

FLOOR	SQUARE FOOT	PING	1997	1998	1999	2000	2001	TOTAL
1st Floor	10,195	287	290,000	290,000	290,000	290,000	290,000	1,450,000
2nd Floor	9,857	277	195,000	195,000	195,000	195,000	195,000	975,000
3rd Floor	11,104	312	220,000	220,000	220,000	220,000	220,000	1,100,000
4th Floor	11,104	312	220,000	220,000	220,000	220,000	220,000	1,100,000
5TH FLOOR	11,104	312	220,000	220,000	220,000	220,000	220,000	1,100,000
Total/Month:	53,364	1,500	1,145,000	1,145,000	1,145,000	1,145,000	1,145,000	5,725,000
Total/Year:			13,740,000	13,740,000	13,740,000	13,740,000	13,740,000	68,700,000
Increase %:			0%	0%	0%	0%	0%	

NOTE: THE MONTHLY RENTAL WITH NO INCREASE UNTIL THE END OF 2001.

FLOOR	CURRENT 1996
1st Floor	250,000
2nd Floor	192,950
3rd Floor	192,950
4th Floor	192,950
5TH FLOOR	180,000
Total/Month:	1,008,850
Total/Year:	12,106,200
Increase %:	A 13.5% increase for 1997

This Exhibit 10.35 represents a fair and accurate English translation of a Lease agreement dated September 19, 1996 between Ren Min Company Limited and Analog Devices Taiwan Limited relating to the premises at Five-Kung-Five Road, Taipei, Taiwan.

ANALOG DEVICES, INC.

By: /s/ William A. Martin

-----  
Title: Treasurer

ANALOG DEVICES, INC.  
COMPUTATION OF EARNINGS PER SHARE (UNAUDITED)  
(in thousands, except per share data)

	TWELVE MONTHS ENDED		
	NOVEMBER 1, 1997	NOVEMBER 2, 1996	OCTOBER 28, 1995
<b>PRIMARY EARNINGS PER SHARE</b>			
Weighted average common and common equivalent shares:			
Weighted average common shares outstanding.....	159,414	153,221	149,269
Assumed exercise of common stock equivalents (1).....	7,064	8,512	9,446
Assumed conversion of subordinated notes.....	10,985	9,556	-
	-----	-----	-----
Weighted average common and common equivalent shares.....	177,463	171,289	158,715
	=====	=====	=====
Net income.....	\$ 178,219	\$ 171,901	\$ 119,270
Interest related to convertible subordinated notes, net of tax.....	5,700	4,990	-
	-----	-----	-----
Earnings available for common stock.....	\$ 183,919	\$ 176,891	\$ 119,270
	=====	=====	=====
PRIMARY EARNINGS PER SHARE.....	\$ 1.04	\$ 1.03	\$ .75
	=====	=====	=====
<b>FULLY DILUTED EARNINGS PER SHARE</b>			
Weighted average common and common equivalent shares:			
Weighted average common shares outstanding.....	159,414	153,221	149,269
Assumed exercise of common stock equivalents (1).....	7,386	8,726	9,692
Assumed conversion of subordinated notes.....	10,985	9,556	-
	-----	-----	-----
Weighted average common and common equivalent shares.....	177,785	171,503	158,961
	=====	=====	=====
Net income.....	\$ 178,219	\$ 171,901	\$ 119,270
Interest related to convertible subordinated notes, net of tax.....	5,700	4,990	-
	-----	-----	-----
Earnings available for common stock.....	\$ 183,919	\$ 176,891	\$ 119,270
	=====	=====	=====
FULLY DILUTED EARNINGS PER SHARE.....	\$ 1.04	\$ 1.03	\$ .75
	=====	=====	=====

(1) Computed based on the treasury stock method.

## MANAGEMENT ANALYSIS

## COMPANY OVERVIEW

Analog Devices, Inc. ("Analog" or the "Company") designs, manufactures and markets a broad line of high-performance linear, mixed-signal and digital integrated circuits ("ICs") that address a wide range of real-world signal processing applications. The Company's principal products include general-purpose, standard-function linear and mixed-signal ICs ("SLICs") and system-level ICs. The latter group includes general-purpose digital signal processing ICs ("DSPs") and application-specific devices that typically incorporate analog and mixed-signal circuitry and a DSP core.

Nearly all of Analog's products are components, which are typically incorporated by original equipment manufacturers ("OEMs") in a wide range of equipment and systems for use in communications, computer, industrial, instrumentation, military/aerospace, automotive and high-performance consumer electronics applications.

The Company sells its products worldwide through a direct sales force, third-party industrial distributors and independent sales representatives. Approximately 46% of fiscal 1997 revenue was derived from customers in North America, while most of the balance was derived from customers in Western Europe and the Far East.

## RESULTS OF OPERATIONS

## FISCAL 1997 COMPARED TO FISCAL 1996

Fiscal 1997 sales of \$1,243 million were up 4% year to year, despite a sluggish first half of the year. The first half of the year was adversely affected by excess inventories at end customers which had accumulated during the prior year when lead times had increased due to manufacturing capacity constraints. During the second half of fiscal 1997 demand increased and sales growth resumed.

Standard linear IC product sales contributed significantly to Analog's growth during fiscal 1997. SLICs are primarily high-performance, single-function devices. The majority of SLIC revenue was attributable to sales of data converters (analog-to-digital and digital-to-analog) and amplifiers. The Company's products were sold to a broad customer base throughout the world with virtually all channels of distribution and all geographies showing increased sales. Recently introduced high speed products contributed to this growth. Products used in communications and imaging applications experienced good growth during fiscal 1997. SLIC sales represented 61% of the Company's total sales during fiscal 1997 compared to 57% during fiscal 1996.

Sales of system-level IC products declined slightly as the Company experienced a decline in sales of computer audio products, GSM (Global System for Mobile Communications) cellular phone chipsets and products used in automatic test equipment. System-level ICs include general purpose DSP ICs and multi-function devices that feature high levels of functional integration on a single chip. Most of the multi-function ICs are mixed signal devices, others are linear-only devices. System level IC product sales represented 35% of the Company's total sales during fiscal 1997 compared to 38% during fiscal 1996.

Sales of assembled products continued to decline during fiscal 1997 and represented only 4% of the Company's total sales during fiscal 1997 and 5% during fiscal 1996. Assembled products include multi-chip modules, hybrids and printed board modules.

Sales to North American customers increased significantly over fiscal 1996. Sales in Europe and Japan remained essentially flat in comparison to the prior year. A decline in sales in Southeast Asia was attributable to the decline in computer audio sales partially offset by an increase in SLIC sales in the region. As a percentage of total net sales, sales outside North America were 54% in fiscal 1997 as compared to 58% in fiscal 1996. For further detail regarding geographic information, see Note 3 in the Notes to the Company's Consolidated Financial Statements.

Gross margin was 50.0% of sales for fiscal 1997 compared to 50.3% for fiscal 1996. The slight reduction in gross margin for the year-over-year period was principally due to a change in the mix of products sold and increased costs associated with new manufacturing facilities.

Research and development ("R&D") expenses increased approximately 10% in fiscal 1997 to \$196 million or 15.8% of sales. This increase was mainly due to the continued development of innovative SLIC products and processes and higher spending in the development of new products and technologies targeted for the communications, computer and automotive markets, including initiatives in general-purpose digital signal processing, system-level ICs for modem and wireless communications applications, RF signal processing, broadband wired communications, micromachining technology and accelerometer products. The Company believes that a continued commitment to research and development is essential in order to maintain product leadership in its existing products and to provide innovative new product offerings, and therefore expects to continue to make significant investments in research and development in the future.

Selling, marketing, general and administrative ("SMG&A") expenses were \$192 million, a decrease of \$4 million from the \$196 million recorded in the prior year. This decline was principally the result of the Company's commitment to constrain spending during the recent period of slower sales growth, along with reduced bonus payments to employees. As a result, SMG&A expense as a percentage of sales fell to 15.4% from 16.4% for the year earlier period.

In total, operating expenses as a percentage of sales remained essentially flat at 31.2%, consistent with the Company's emphasis on maintaining tight control over operating costs in order to gain better operating leverage on increases in revenue.

The Company's operating income ratio decreased slightly to 18.8% of sales for fiscal 1997, compared to 19.0% for fiscal 1996, as a result of all of the factors cited above.

The effective income tax rate decreased to 24.4% in fiscal 1997 from 25.5% in fiscal 1996 due to a shift in the mix of worldwide income and due to a larger R&D credit realized in fiscal 1997 compared to fiscal 1996. Since it is not assured that the Company will realize capital gains income, the Company has included on its balance sheet a valuation allowance of \$5.6 million at November 1, 1997. The valuation allowance balance was \$7.4 million at November 2, 1996. The net change in the valuation allowance for the fiscal year ended November 1, 1997 was due to the expiration of unused capital loss carryforwards for tax purposes.

Net income increased 4% to \$178 million in fiscal 1997 compared to \$172 million in fiscal 1996. Earnings per share in fiscal 1997 increased \$.01 to \$1.04 from \$1.03 in fiscal 1996.

The Company has not yet adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" which will require adoption in fiscal 1999. The Company is in the process of determining the effect of the adoption of these statements on its consolidated financial statements and related disclosures.

The impact of inflation on the Company's business during the past three years has not been significant.

#### FISCAL 1996 COMPARED TO FISCAL 1995

Net sales of \$1,194 million in fiscal 1996 increased 27% from fiscal 1995. Fiscal year 1996 sales growth was attributable to significant increases in sales volumes of both the Company's standard linear IC and system-level IC products as worldwide demand for precision integrated circuit products increased in the first half of fiscal 1996. During the third and fourth quarters a broadbased inventory correction by end users, customers and distributors in response to the shorter leadtimes available for many products from the Company and other suppliers caused sales levels to be flat with the second quarter.

Sales of the Company's standard linear IC products contributed significantly to Analog's growth. Standard linear IC sales, however, declined as a percentage of total sales, accounting for 57% of total sales in fiscal 1996 compared to 64% in fiscal 1995 due to the high sales growth for system-level IC products. The growth in sales of standard linear ICs was driven by the greater use of standard linear IC products in new high-volume applications in wireless and broadband communications, computer and consumer markets including digital cellular handsets and base stations, video applications and imaging applications. In fiscal 1996, the distributor channel was a significant growth channel for the Company's standard linear IC product line.

Sales of system-level ICs experienced rapid growth as the Company achieved gains in its general-purpose digital signal processing products and mixed-signal ICs for application-specific system-on-a-chip solutions. The largest end user market growth for the Company's system-level IC products was in wireless communications applications, including digital mobile phones and base stations. As a percentage of total sales, system-level IC products increased to 38% of total sales compared to 28% in fiscal 1995.

Sales of the Company's assembled products continued to decline and as a percentage of total sales decreased from 8% to 5% over this same period.

In fiscal 1996, sales to North American customers increased significantly over fiscal 1995. Sales to customers outside North America, primarily Europe and Southeast Asia also increased significantly. European growth resulted from the Company's penetration of applications in the communications market, particularly in handsets and base stations used in the GSM digital cellular telephone system. The increase in sales to customers in Southeast Asia was due to increased demand for products in the hard disk drive, communications and computer products segments. Sales in Japan increased slightly. As a percentage of total sales, North American and international sales accounted for 42% and 58%, respectively, whereas the comparable percentages were 44% and 56% in fiscal 1995.

Gross margin was 50.3% of sales in fiscal 1996 compared to 50.7% of sales in fiscal 1995. The reduction in gross margin was principally due to a lower proportion of standard linear IC products in the mix of products sold, which generally have higher gross margins than the Company's system-level IC products. The reduction in gross margin in fiscal 1996 was also attributable to increased costs associated with increased capacity combined with the leveling off of sales in the latter half of the year.

R&D expenses for fiscal 1996 increased 32% from fiscal 1995 as the Company continued to invest in new product development. As a percentage of sales, R&D expenses were 14.9% in fiscal 1996 compared to 14.3% in fiscal 1995.

Selling, marketing, general and administrative expense growth in fiscal 1996 was 5.9%, increasing from \$185 million in fiscal 1995 to \$196 million in fiscal 1996. SMG&A expenses declined as a percentage of sales to 16.4% in fiscal 1996 compared to 19.6% in fiscal 1995, consistent with the Company's goal of constraining SMG&A spending growth to a rate significantly below sales growth. The increase in SMG&A expenses in absolute dollars was primarily related to higher employee bonus payments associated with improved revenue and profitability levels, and greater product advertising and related promotional costs and commissions in support of the Company's product lines and customer base.

Operating income grew 44% to 19% of sales compared to 17% of sales in fiscal 1995. This performance gain reflected the combination of accelerated demand for the Company's products and continuing commitment to growing expenses more slowly than sales.

Nonoperating income of \$1.7 million in fiscal 1995 improved to \$3.6 million in fiscal 1996. Interest expense in fiscal 1996 increased from fiscal 1995 as a result of the issuance of \$230,000,000 of 3 1/2% Convertible Subordinated Notes in December 1995 but this increase was more than offset by increased investment income as a result of the positive spread between the 3 1/2% coupon rate and the investment rates achieved on available cash balances through fiscal 1996.

The effective income tax rate increased to 25.5% in fiscal 1996 from 25.2% in fiscal 1995 due to earnings growth in higher tax rate jurisdictions including the U.S. The Company maintained a valuation allowance for deferred tax assets of \$7.4 million at November 2, 1996 based on management's assessment that realization of such deferred tax assets was not assured for book and tax capital losses. The valuation allowance balance was \$10 million at October 28, 1995. The net change in the valuation allowance for the fiscal year ended November 2, 1996 was a decrease of \$2.6 million as a result of the utilization of book basis foreign tax credits and the use of capital tax loss carryforwards.

The growth in sales, improved operating performance and lower nonoperating expenses yielded a 44.1% rise in net income to \$171.9 million or 14.4% of sales in fiscal 1996 compared to \$119.3 million or 12.7% of sales in fiscal 1995. Earnings per share in fiscal 1996 grew 37% to \$1.03 from \$0.75 in fiscal 1995.

## LIQUIDITY AND CAPITAL RESOURCES

At November 1, 1997, the Company had \$341 million of cash, cash equivalents and short-term investments compared to \$300 million at November 2, 1996. The Company's operating activities generated net cash of \$297 million, or 24% of sales, and \$144 million, or 12% of sales, in fiscal 1997 and fiscal 1996, respectively. Investing activities used \$237 million in fiscal 1997 and \$305 million in fiscal 1996 while financing activities generated \$15 million in fiscal 1997 and \$301 million in fiscal 1996. The Company's primary source of funds in fiscal year 1997 was net cash generated by operations. The issuance of long-term convertible debt which generated \$224 million was the primary source of funding in fiscal 1996.

Accounts receivable of \$256 million at the end of fiscal 1997 increased \$22 million or 9% from \$234 million at the end of fiscal 1996. This increase resulted principally from the \$28 million increase in sales from the fourth quarter of fiscal 1996 to the fourth quarter of fiscal 1997. The number of days sales outstanding remained flat and as a percentage of annualized fourth quarter sales accounts receivable was 19.2% at the end of both of these periods. Accounts receivable reserves and allowances increased from \$15 million at the end of fiscal 1996 to \$40 million at the end of fiscal 1997. This increase was caused by additional reserves deemed necessary particularly in South East Asia and reserves required because of increased activity in the N.A. distributor channel.

Inventories rose \$7 million or 3% over the prior year to \$226 million at the end of fiscal 1997. Inventories as a percentage of annualized fourth quarter sales decreased to 17% for the year ended November 1, 1997 from 18% for the year ended November 2, 1996.

Accounts payable and accrued liabilities increased \$6 million or 4% compared to the balance at the end of fiscal 1996 due principally to increased expense activity related to higher revenue and increased capital expenditures in the fourth quarter of fiscal 1997 when compared to the year earlier period.

The Company's principal investment activities during fiscal 1997 were in support of its manufacturing facility improvement programs and included capital expenditures of \$179 million and an investment of \$42 million which was a second installment on an 18% share in a wafer fabrication facility on a joint venture basis with Taiwan Semiconductor Manufacturing Company ("TSMC") and a further deposit of \$12 million paid to Chartered Semiconductor Manufacturing Pte., Ltd. ("CSM"), a wafer fabrication company in Singapore.

Capital expenditures in fiscal 1997 of \$179 million, were \$55 million lower than in the prior year when major capacity expansion programs were underway. The expenditures in fiscal 1997 included the ongoing expansion and upgrade of the Company's existing wafer fabrication facilities in Wilmington, Massachusetts and Limerick, Ireland. During fiscal 1997 an additional wafer fabrication facility in Cambridge, Massachusetts was made available for the production of the accelerometer and other micromachined products. In addition, the Company continued the development of the six-inch wafer fabrication module located in Sunnyvale, California. This facility is still in the process of being upgraded and modernized and a CBCMOS process is being developed and the facility is expected to ramp during fiscal 1998. Also, during fiscal 1997 production began in the Company's new assembly and test site in the Philippines. These expansion programs caused depreciation expense to increase to \$101 million in fiscal 1997 from \$82 million in fiscal 1996.

During fiscal 1996 the Company entered into a joint venture agreement with TSMC and other investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington. For a total commitment of \$140 million, the Company acquired an 18% equity ownership in the joint venture, known as WaferTech. The first installment of \$42 million was paid in fiscal 1996. The second installment of \$42 million was paid in December 1996 and the remaining installment of \$56 million was paid in fiscal 1998, on November 3, 1997.

In March 1997 and June 1997, in accordance with a previous agreement, the Company made two payments of \$6 million each to CSM for a total deposit of \$20 million. In fiscal 1996 the Company provided \$8 million to CSM under this arrangement. This deposit is classified in the balance sheet line item, "Other assets." Under the terms of this agreement, the deposit will guarantee access to certain quantities of sub-micron wafers through fiscal 2000. If the Company does not purchase the minimum quantities under the agreement, the deposit will be forfeited for the value of the wafer shortfall up to the total amount of \$20 million. At the end of the agreement term, the Company's deposit will be returned, net of any forfeitures.

The Company currently plans to make capital expenditures of approximately \$300 million in fiscal 1998, primarily in connection with the continued improvement of its manufacturing facilities. Depreciation expense is expected to increase to approximately \$144 million in fiscal 1998 as a result of these additions.

In fiscal 1997 financing activities generated cash of \$15 million. The issuance of common stock under stock purchase and stock option plans generated cash of \$19 million, and proceeds from equipment financing generated cash of \$7 million. These increases were offset by \$11 million of cash used for the repayment of capital lease obligations and various other items resulting in net cash generated of \$3 million.

At November 1, 1997, the Company's principal sources of liquidity included \$341 million of cash, cash equivalents and short-term investments. Short-term investments at the end of fiscal 1997 consisted of commercial paper, certificates of deposit and Euro time deposits with maturities greater than three months and less than six months at the time of acquisition. The Company also has various lines of credit both in the U.S. and overseas, including a \$60 million credit facility in the U.S. which expires in 2000, all of which were substantially unused at the end of fiscal 1997. At the end of fiscal 1997, the Company's debt-to-equity ratio was 33%.

The Company believes that its existing sources of liquidity and cash expected to be generated from future operations, together with current and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures and research and development efforts for the foreseeable future.

#### QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's fixed rate debt obligations and related interest rate swap and cap agreements are subject to interest rate risk. For example, a 100 basis point increase in interest rates would not result in a material change in the Company's interest expense or the fair value of the debt obligations and related interest rate swap and cap agreements. An increase in interest rates would not significantly increase interest expense due to the fixed nature of the Company's debt obligations. The fair value of the Company's investment portfolio or related interest income would not be significantly impacted by either a 100 basis point increase or decrease in interest rates due mainly to the short-term nature of the major portion of the Company's investment portfolio and the relative insignificance of interest income to consolidated pre-tax income, respectively.

As more fully described in Note 2 (h) in the Notes to the Company's Consolidated Financial Statements, the Company regularly hedges its non-U.S. dollar based exposures by entering into forward foreign exchange contracts, foreign currency option contracts and currency swap agreements. The terms of these contracts typically are for periods matching the duration of the underlying exposure and generally range from three months up to one year. The short-term nature of these contracts has resulted in these instruments having insignificant fair values at November 1, 1997. Relative to foreign currency exposures existing at November 1, 1997, a 10% unfavorable movement in foreign exchange rates would not expose the Company to significant losses in earnings or cash flows or significantly diminish the fair value of its foreign currency financial instruments, primarily due to the short lives of the affected financial instruments that effectively hedge substantially all of the Company's year-end exposures to fluctuations in foreign currency exchange rates. The calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, such changes typically affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. The Company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency selling prices.

#### LITIGATION

For information concerning certain pending litigation involving the Company, see Note 8 in the Notes to the Company's Consolidated Financial Statements.

## FACTORS WHICH MAY AFFECT FUTURE RESULTS

The Company's future operating results are difficult to predict and may be affected by a number of factors including the timing of new product announcements or introductions by the Company and its competitors, competitive pricing pressures, fluctuations in manufacturing yields, adequate availability of wafers and manufacturing capacity, changes in product mix and economic conditions in the United States and international markets. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. The Company is exposed to the risk of obsolescence of its inventory depending on the mix of future business. As a result of these and other factors, there can be no assurance that the Company will not experience material fluctuations in future operating results on a quarterly or annual basis.

The Company's success depends in part on its continued ability to develop and market new products. There can be no assurance that the Company will be able to develop and introduce new products in a timely manner or that such products, if developed, will achieve market acceptance. In addition, the Company's growth is dependent on its continued ability to penetrate new markets such as the communications, computer and automotive segments of the electronics market, where the Company has limited experience and competition is intense. There can be no assurance that the markets being served by the Company will grow in the future; that the Company's existing and new products will meet the requirements of such markets; that the Company's products will achieve customer acceptance in such markets; that competitors will not force prices to an unacceptably low level or take market share from the Company; or that the Company can achieve or maintain profits in these markets. Also, some of the customers in these markets are less well established which could subject the Company to increased credit risk.

The semiconductor industry is intensely competitive. Certain of the Company's competitors have greater technical, marketing, manufacturing and financial resources than the Company. The Company's competitors also include emerging companies attempting to sell products to specialized markets such as those served by the Company. Competitors of the Company have, in some cases, developed and marketed products having similar design and functionality as the Company's products. There can be no assurance that the Company will be able to compete successfully in the future against existing or new competitors or that the Company's operating results will not be adversely affected by increased price competition.

The Company has increased substantially its manufacturing capacity through both expansion of its production facilities and increased access to third-party foundries; there can be no assurance that the Company will not encounter unanticipated production problems at either its own facilities or at third-party foundries; or that the increased capacity will be sufficient to satisfy demand for its products. The Company relies, and plans to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of its wafers that can be manufactured using industry-standard digital processes, and such reliance involves several risks, including reduced control over delivery schedules, manufacturing yields and costs. In addition, the Company's capacity additions will result in a significant increase in operating expenses, and if revenue levels do not increase to offset these additional expense levels, the Company's future operating results could be adversely affected, including the potential adverse impact on operating results for "take or pay" covenants in certain of its supply agreements. The Company's business is subject to rapid technological changes and there can be no assurance that products stocked in inventory will not be rendered obsolete before they are utilized by the Company. The Company also believes that other semiconductor manufacturers are expanding or planning to expand their production capacity over the next several years, and there can be no assurance that the expansion by the Company and its competitors will not lead to overcapacity in the Company's target markets, which could lead to price erosion that would adversely affect the Company's operating results.

In fiscal 1997, 54% of the Company's revenues were derived from customers in international markets. The Company has manufacturing facilities outside the U.S. in Ireland, the Philippines and Taiwan. The Company also has supply agreements that include "take or pay" covenants with suppliers located in Southeast Asia ("SEA") and as part of these arrangements, the Company has \$26 million on deposit with two of these suppliers. The Company also has a \$21 million investment in one of these suppliers. In addition, the Company's major partner in its joint venture, WaferTech, is TSMC which is located in the SEA region. The Company is therefore subject to the economic and political risks inherent in international operations, including the risks associated with the ongoing uncertainties in the economies in SEA. These risks include air transportation disruptions, expropriation, currency controls and changes in currency exchange rates, tax and tariff rates and freight rates. Although the Company engages in certain hedging transactions to reduce its exposure to currency exchange rate fluctuations, there can be no assurance that the Company's competitive position will not be adversely affected by changes in the exchange rate of the U.S. dollar against other currencies.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights. The Company has from time to time received, and may in the future receive, claims from third parties asserting that the Company's products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim and a license is not available on commercially reasonable terms, the Company's operating results could be materially and adversely affected. Litigation may be necessary to enforce patents or other intellectual property rights of the Company or to defend the Company against claims of infringement, and such litigation can be costly and divert the attention of key personnel. See Note 8 in the Notes to the Company's Consolidated Financial Statements, for information concerning certain pending litigation involving the Company. An adverse outcome in such litigation, may, in certain cases, have a material adverse effect on the Company's consolidated financial position or on its consolidated results of operations or cash flows in the period in which the litigation is resolved.

The Company already has installed Year 2000 compliant software in many of its major systems. A task force is engaged in the ongoing effort to complete this activity for the balance of the Company's systems. The cost of these efforts is not expected to be material. The Company presently believes that the Year 2000 issue will not pose significant operational problems. However, Year 2000 issues could have a significant impact on the Company's operations and its financial results if modifications cannot be completed on a timely basis; unforeseen needs or problems arise, or if the systems operated by our customers, vendors or subcontractors are not Year 2000 compliant.

Because of these and other factors, past financial performance should not be considered an indicator of future performance. Investors should not use historical trends to anticipate future results and should be aware that the trading price of the Company's common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, general conditions in the semiconductor industry, changes in earnings estimates and recommendations by analysts or other events.

## ANALOG DEVICES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

Years ended November 1, 1997, November 2, 1996 and October 28, 1995 (thousands except per share amounts)		1997	1996	1995
REVENUE	Net sales.....	\$1,243,494	\$1,193,786	\$ 941,546
COSTS AND EXPENSES	Cost of sales.....	622,317	593,033	464,571
	Gross margin.....	621,177	600,753	476,975
	Operating expenses:			
	Research and development.....	196,148	177,772	134,265
	Selling, marketing, general and administrative.....	191,613	195,842	184,943
		387,761	373,614	319,208
	Operating income.....	233,416	227,139	157,767
	Nonoperating (income) expenses:			
	Interest expense.....	12,507	11,289	4,201
	Interest income.....	(16,178)	(16,535)	(8,103)
	Other.....	1,208	1,645	2,234
		(2,463)	(3,601)	(1,668)
EARNINGS	Income before income taxes.....	235,879	230,740	159,435
	Provision for income taxes:			
	Payable currently.....	63,794	52,115	52,414
	Deferred (prepaid).....	(6,134)	6,724	(12,249)
		57,660	58,839	40,165
	Net income .....	\$ 178,219	\$ 171,901	119,270
	Shares used to compute earnings per share.....	177,463	171,289	158,715
	Earnings per share of common stock	\$ 1.04	\$ 1.03	\$ .75

See accompanying notes.

ANALOG DEVICES, INC.  
CONSOLIDATED BALANCE SHEETS

November 1, 1997, November 2, 1996 and October 28, 1995  
(thousands except share amounts)

ASSETS	1997	1996	1995
<b>CURRENT ASSETS</b>			
Cash and cash equivalents.....	\$ 289,601	\$ 210,109	\$ 69,303
Short-term investments.....	51,006	89,810	81,810
Accounts receivable less allowances of \$40,007 (\$14,785 in 1996 and \$12,738 in 1995).....	255,886	234,434	173,028
Inventories.....	225,966	218,877	143,962
Deferred tax assets.....	54,761	44,879	39,650
Prepaid expenses and other current assets.....	18,209	14,728	9,966
<b>Total current assets.....</b>	<b>895,429</b>	<b>812,837</b>	<b>517,719</b>
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST</b>			
Land and buildings.....	145,952	140,776	139,718
Machinery and equipment.....	938,602	800,086	633,124
Office equipment.....	58,714	46,307	41,260
Leasehold improvements.....	87,407	80,099	42,165
	1,230,675	1,067,268	856,267
Less accumulated depreciation and amortization.....	569,040	483,946	424,305
<b>Net property, plant and equipment.....</b>	<b>661,635</b>	<b>583,322</b>	<b>431,962</b>
<b>OTHER ASSETS</b>			
Investments.....	131,468	68,382	13,980
Intangible assets, net.....	14,768	16,846	17,230
Other assets.....	60,553	26,885	12,458
<b>Total other assets.....</b>	<b>206,789</b>	<b>112,113</b>	<b>43,668</b>
	<b>\$1,763,853</b>	<b>\$1,508,272</b>	<b>\$ 993,349</b>
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings and current portion of long-term debt.....	\$ -	\$ 178	\$ 2,299
Obligations under capital leases.....	11,733	10,960	60
Accounts payable.....	97,654	90,177	100,217
Deferred income on shipments to domestic distributors...	37,013	38,400	27,588
Income taxes payable.....	52,550	46,459	50,086
Accrued liabilities.....	75,444	76,649	65,839
<b>Total current liabilities.....</b>	<b>274,394</b>	<b>262,823</b>	<b>246,089</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt.....	310,000	310,000	80,000
Noncurrent obligations under capital leases.....	38,852	43,666	-
Deferred income taxes.....	20,740	16,992	5,039
Other noncurrent liabilities.....	31,737	11,956	6,255
<b>Total noncurrent liabilities.....</b>	<b>401,329</b>	<b>382,614</b>	<b>91,294</b>
<b>Commitments and Contingencies</b>			
<b>STOCKHOLDERS' EQUITY</b>			
Preferred stock, \$1.00 par value, 500,000 shares authorized, none outstanding.....	-	-	-
Common stock, \$.16 2/3 par value, 600,000,000 shares authorized, 161,941,094 shares issued (158,745,219 in 1996 and 114,583,932 in 1995).....	26,991	26,458	19,098
Capital in excess of par value, net of deferred compen- sation of \$6,343 (\$4,679 in 1996 and \$3,181 in 1995)	223,885	176,357	149,775
Retained earnings.....	831,584	653,365	481,464
Cumulative translation adjustment.....	6,724	6,655	5,870
	1,089,184	862,835	656,207
Less shares in treasury, at cost, 35,094 in 1997 (none in 1996 and 51,876 in 1995).....	1,054	-	241
<b>Total stockholders' equity.....</b>	<b>1,088,130</b>	<b>862,835</b>	<b>655,966</b>
	<b>\$1,763,853</b>	<b>\$1,508,272</b>	<b>\$ 993,349</b>
	=====	=====	=====

See accompanying notes.

## ANALOG DEVICES, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended November 1, 1997,  
November 2, 1996 and October 28, 1995

(thousands)	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK		
	SHARES	AMOUNT				SHARES	AMOUNT	
	Balance, October 29, 1994	75,252	\$ 12,542	\$141,159	\$362,194	\$6,020	-	\$ -
ACTIVITY IN FISCAL 1995	Net income - 1995			119,270				
	Issuance of stock under stock plans and other, net of repurchases	1,137	190	10,462			(35)	(241)
	Compensation recognized under Restricted Stock Plan			1,672				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			2,848				
	Three-for-two stock split	38,195	6,366	(6,366)			(17)	-
	Currency translation adjustment					(150)		
	Balance, October 28, 1995	114,584	19,098	149,775	481,464	5,870	(52)	(241)
ACTIVITY IN FISCAL 1996	Net income - 1996			171,901				
	Issuance of stock under stock plans and other, net of repurchases	2,228	371	15,474			52	241
	Exercise of warrants	2,250	375	11,721				
	Compensation recognized under Restricted Stock Plan			1,949				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			4,052				
	Four-for-three stock split	39,683	6,614	(6,614)				
	Currency translation adjustment					785		
	Balance, November 2, 1996	158,745	26,458	176,357	653,365	6,655	-	-
ACTIVITY IN FISCAL 1997	Net income - 1997			178,219				
	Issuance of stock under stock plans and other, net of repurchases	3,196	533	19,446			(35)	(1,054)
	Compensation recognized under Restricted Stock Plan			2,309				
	Tax benefit on exercise of non- qualified stock options and disqualifying dispositions under stock plans			25,773				
	Currency translation adjustment					69		
	Balance, November 1, 1997	161,941	\$ 26,991	\$223,885	\$831,584	\$6,724	(35)	\$ (1,054)

See accompanying notes.

## ANALOG DEVICES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 1, 1997, November 2, 1996 and October 28, 1995  
(thousands)

	1997	1996	1995
<b>OPERATIONS</b>			
Cash flows from operations:			
Net income .....	\$ 178,219	\$ 171,901	\$ 119,270
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization.....	103,554	83,809	64,098
Deferred income taxes.....	(6,134)	6,565	(12,360)
Other noncash (income) expenses.....	(136)	(638)	151
Increase in accounts receivable.....	(25,129)	(67,744)	(12,747)
Increase in inventories.....	(7,739)	(76,748)	(14,402)
Increase in prepaid expenses and other current assets.....	(3,605)	(4,782)	(4,959)
Increase in accounts payable, deferred income and accrued liabilities.....	4,828	24,728	45,816
Increase in income taxes payable.....	32,916	425	23,784
Increase in other liabilities.....	20,453	6,201	1,599
Total adjustments.....	119,008	(28,184)	90,980
Net cash provided by operations.....	297,227	143,717	210,250
<b>INVESTMENTS</b>			
Cash flows from investments:			
Purchase of short-term investments available for sale..	(153,269)	(262,648)	(166,225)
Maturities of short-term investments available for sale	192,073	254,648	162,067
Additions to property, plant and equipment, net.....	(179,374)	(234,099)	(212,671)
Long-term investments.....	(63,086)	(54,402)	-
Increase in other assets.....	(33,650)	(8,971)	(16,878)
Purchase of short-term investments held to maturity....	-	-	(7,200)
Maturities of short-term investments held to maturity..	-	-	2,200
Net cash used for investments.....	(237,306)	(305,472)	(238,707)
<b>FINANCING ACTIVITIES</b>			
Cash flows from financing activities:			
Proceeds from employee stock plans.....	19,283	14,028	10,126
Payments on capital lease obligations.....	(11,164)	(7,227)	(237)
Proceeds from equipment financing.....	7,123	61,793	-
Net decrease in variable rate borrowings.....	(109)	(3,580)	(787)
Proceeds from issuance of long-term debt.....	-	224,385	-
Proceeds from warrants exercised.....	-	12,096	-
Payments on long-term debt.....	-	-	(20,000)
Net cash provided by (used for) financing activities.....	15,133	301,495	(10,898)
Effect of exchange rate changes on cash.....	4,438	1,066	(455)
Net increase (decrease) in cash and cash equivalents.....	79,492	140,806	(39,810)
Cash and cash equivalents at beginning of year.....	210,109	69,303	109,113
Cash and cash equivalents at end of year.....	\$ 289,601	\$ 210,109	\$ 69,303
<b>SUPPLE- MENTAL INFORMATION</b>			
Cash paid during the year for:			
Income taxes.....	\$ 27,621	\$ 52,541	\$ 30,511
Interest.....	\$ 16,158	\$ 10,171	\$ 6,685

See accompanying notes.

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ANALOG DEVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 1, 1997, NOVEMBER 2, 1996 AND OCTOBER 28, 1995  
(ALL TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

Analog Devices, Inc. ("Analog" or the "Company") designs, manufactures and markets a broad line of high-performance linear, mixed-signal and digital integrated circuits that address a wide range of real-world signal processing applications. The Company's two principal product groups are general-purpose, standard-function linear and mixed-signal ICs and system-level ICs. The latter group includes general-purpose digital signal processing ICs and application-specific devices that typically incorporate analog and mixed-signal circuitry and a DSP core. Analog's third product group consists of devices manufactured using assembled product technology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated. The Company's fiscal year ends on the Saturday closest to the last day in October. Fiscal years 1997 and 1995 were each 52 week years, while 1996 was a 53 week year.

Certain amounts reported in previous years have been reclassified to conform to the 1997 presentation, such reclassifications were immaterial.

b. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less at the time of acquisition. Investments with maturities between three and twelve months at time of acquisition are considered short-term investments. Cash, cash equivalents and short-term investments consist primarily of commercial paper, but also include certificates of deposit and bankers acceptances. Long-term investments consist of equity securities and bank money market funds as well as time deposits which the Company intends to renew at each maturity date.

The Company classifies its investments in debt and equity securities as "held-to-maturity," "available-for-sale," and "trading" at the time of purchase and for such designation to be reevaluated as of each balance sheet date. Held-to-maturity securities, which are carried at amortized cost, include only those securities the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported as a separate component of stockholders' equity. Realized gains and losses, declines in value judged to be other than temporary, as well as interest, dividends and capital gains distributions on all securities are included in earnings.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

While it is the intent of management to hold securities to maturity, unforeseen events, while not generally expected, could cause the Company to liquidate certain securities prior to maturity. Accordingly, those securities which could readily be sold back to the seller are classified as available-for-sale. Securities, such as bank time deposits, which by their nature are typically held to maturity are classified as such. The following is a summary of available-for-sale and held-to-maturity securities at November 1, 1997, November 2, 1996 and October 28, 1995:

1997	AVAILABLE-FOR-SALE			HELD-TO-MATURITY	
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE	COST
Cash equivalents:					
Commercial paper	\$249,053	\$ -	\$ -	\$ 249,053	\$ -
Euro time deposits	-	-	-	-	16,810
Short-term investments:					
Commercial paper	38,085	-	-	38,085	-
Certificates of deposit	10,000	-	-	10,000	-
Bankers' acceptances	2,921	-	-	2,921	-
Long-term investments:					
Equity securities	3,433	165	200	3,398	-
Euro time deposits	-	-	-	-	1,556
Bank money market fund	9,250	-	-	9,250	-
<b>Total</b>	<b>\$312,742</b>	<b>\$ 165</b>	<b>\$ 200</b>	<b>\$312,707</b>	<b>\$18,366</b>
1996					
Cash equivalents:					
Commercial paper	\$ 83,713	\$ -	\$ -	\$ 83,713	\$ -
Euro time deposits	-	-	-	-	94,656
Certificates of deposit	8,000	-	-	8,000	-
Short-term investments:					
Commercial paper	89,810	-	-	89,810	-
Long-term investments:					
Equity securities	4,186	386	2	4,570	-
Euro time deposits	-	-	-	-	836
Bank money market fund	19	-	-	19	-
<b>Total</b>	<b>\$185,728</b>	<b>\$ 386</b>	<b>\$ 2</b>	<b>\$ 186,112</b>	<b>\$95,492</b>
1995					
Cash equivalents:					
Commercial paper	\$ 27,727	\$ -	\$ -	\$ 27,727	\$ -
Euro time deposits	-	-	-	-	31,300
Short-term investments:					
Commercial paper	73,874	-	-	73,874	-
Bankers' acceptances	2,936	-	-	2,936	-
Euro time deposits	-	-	-	-	5,000
<b>Total</b>	<b>\$104,537</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 104,537</b>	<b>\$36,300</b>

Cash equivalents and short-term investments classified as available-for-sale and held-to-maturity at November 1, 1997, November 2, 1996 and October 28, 1995 have contractual maturities of six months or less at time of acquisition. Because of the short term to maturity, and hence relative price insensitivity to changes in market interest rates, amortized cost approximates fair value for all of these securities. As such, no unrealized gains or losses were recorded during each of these years. Long-term bank time deposits, although renewed on a continual basis, typically have original maturities of two weeks. As such, they are price insensitive to changes in market interest rates and amortized cost therefore approximates fair value. Bank money market funds, which have been categorized as long-term investments, by their nature maintain a constant par value of \$1 per share. Amortized cost for these securities, therefore, approximates fair value.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The fair value of long-term equity securities was determined based on published market quotes at October 31, 1997 and November 1, 1996. Realized gains and losses from the sale of available-for-sale securities were not material in fiscal 1997, fiscal 1996 and fiscal 1995.

The fair value of trading securities at November 1, 1997 was \$9 million and was determined based on published market quotes at October 31, 1997. Gross realized gains from the sale of trading securities for the year ended November 1, 1997 were not material. There were no gross realized losses from the sale of trading securities for the year ended November 1, 1997.

## c. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories at November 1, 1997, November 2, 1996 and October 28, 1995 were as follows:

	1997	1996	1995
Raw materials	\$ 31,526	\$ 31,039	\$ 22,327
Work in process	128,187	115,799	77,526
Finished goods	66,253	72,039	44,109
<b>Total inventories</b>	<b>\$ 225,966</b>	<b>\$ 218,877</b>	<b>\$ 143,962</b>

A director of a raw material supplier was also a director of the Company through January 1995. Total purchases from this supplier approximated \$11,038,000 through January 1995. The Company believes that the terms of these purchases were comparable to those available from other suppliers.

## d. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less allowances for depreciation and amortization. The straight-line method of depreciation is used for all classes of assets for financial statement purposes; both straight-line and accelerated methods are used for income tax purposes. Capitalized leases and leasehold improvements are amortized based upon the lesser of the term of the lease or the useful life of the asset. Depreciation and amortization are based on the following useful lives:

Buildings & Building Equipment	Up to 25 years
Machinery & Equipment	3-10 years
Office Equipment	3-8 years

Total depreciation and amortization of property, plant and equipment was \$101,432,000, \$81,740,000 and \$62,066,000 in 1997, 1996 and 1995, respectively.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## e. INTANGIBLE ASSETS

Intangible assets at November 1, 1997 consist of goodwill, patents and other intangibles. Goodwill is being amortized on a straight-line basis over a fifteen-year period. Patents and other intangibles are being amortized on a straight-line basis over their estimated economic lives which range from ten to fifteen years. Amortization expense for all intangible assets was \$2,122,000, \$2,069,000 and \$2,032,000 in 1997, 1996 and 1995, respectively. Accumulated amortization for all intangible assets was \$14,859,000, \$12,737,000 and \$10,668,000 at November 1, 1997, November 2, 1996 and October 28, 1995, respectively. On a periodic basis, the Company estimates the future undiscounted cash flows of the businesses to which the intangible assets relate in order to ensure that the carrying value of such intangible assets has not been impaired.

## f. GRANT ACCOUNTING

The Company's manufacturing facility in Limerick, Ireland has received various grants from the Industrial Development Authority of the Republic of Ireland. These grants include capital, employment, and research and development grants. Capital grants for the acquisition of property and equipment are netted against the related capital expenditures and amortized as a credit to depreciation expense over the useful life of the related asset. Employment grants, which relate to employee hiring and training, and research and development grants are recognized in earnings in the period in which the related expenditures are incurred by the Company.

## g. TRANSLATION OF FOREIGN CURRENCIES

The functional currency for the Company's foreign sales operations is the applicable local currency. Gains and losses resulting from translation of these foreign currencies into U.S. dollars are accumulated in a separate component of stockholders' equity. Transaction gains and losses are included in income currently, including those at the Company's principal foreign manufacturing operations where the functional currency is the U.S. dollar. Net foreign currency transaction gains or losses included in other expenses, net, were not material in fiscal 1997, 1996 and 1995.

## h. FOREIGN CURRENCY INSTRUMENTS AND INTEREST RATE AGREEMENTS

The Company enters into forward foreign exchange contracts, foreign currency option contracts and currency swap agreements to offset certain operational and balance sheet exposures from changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily Japanese yen and European currencies. These foreign exchange contract, option and swap transactions are entered into to support product sales, purchases and financing transactions made in the normal course of business, and accordingly, are not speculative in nature.

Forward foreign exchange contracts are utilized to manage the risk associated with currency fluctuations on certain firm sales and purchase commitments denominated in foreign currencies and certain non-U.S. dollar denominated asset and liability positions. The Company's forward foreign exchange contracts are primarily denominated in Japanese yen and certain European currencies and are for periods consistent with the terms of the underlying transactions, generally one year or less. The forward foreign exchange contracts that relate to firm, foreign currency sales and purchase commitments are designated and effective as hedges of firm, identifiable foreign currency commitments, and accordingly, the gains and losses resulting from the impact of currency exchange rate movements on these contracts are not recognized in operations until the underlying hedged transactions are recognized. Upon recognition, such gains and losses are recorded in operations as an adjustment to the carrying amount of the underlying transactions in the period in which these transactions are recognized. Unrealized gains and losses resulting from the impact of currency exchange rate movements on forward foreign exchange contracts designated to offset certain non-U.S. dollar denominated assets and liabilities are recognized as other income or expense in the period in which the exchange rates change and offset the foreign currency gains and losses on the underlying exposures being hedged. The contract amounts of forward foreign exchange contracts outstanding were \$163 million, \$147 million and \$182 million at November 1, 1997, November 2, 1996 and October 28, 1995, respectively.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company also may periodically enter into foreign currency option contracts to offset certain probable anticipated, but not firmly committed, foreign currency transactions related to the sale of product during the ensuing nine months. When the dollar strengthens significantly against the foreign currencies, the decline in value of future currency cash flows is partially offset by the gains in value of the purchased currency options designated as hedges. Conversely, when the dollar weakens, the increase in value of future foreign currency cash flows is reduced only by the premium paid to acquire the options. The Company's foreign currency option contracts are primarily denominated in Japanese yen and generally have maturities which do not exceed six months. These foreign currency option contracts are designated and effective as hedges of anticipated foreign currency sales transactions, and accordingly, the premium cost and any realized gains associated with these contracts are deferred and included in the consolidated balance sheet as prepaid expenses and accrued liabilities, respectively, until such time as the underlying sales transactions are recognized. Upon recognition, such premium costs and any realized gains are recorded in sales as a component of the underlying sales transactions being hedged. The contract amounts of foreign currency option contracts outstanding were \$29 million, \$28 million and \$27 million at November 1, 1997, November 2, 1996 and October 28, 1995, respectively. Deferred gains or losses attributable to foreign currency option contracts were not material at November 1, 1997, November 2, 1996 and October 28, 1995.

The Company uses currency swap agreements to hedge the value of its net investment in certain of its foreign subsidiaries. Realized and unrealized gains and losses on such agreements related to the net foreign investment being hedged are recognized in the cumulative translation adjustment component of stockholders' equity, with the related amounts due to or from counterparties included in accrued liabilities or other current assets. The contract amount of currency swap agreements outstanding, which were principally denominated in Japanese yen, was \$10.0 million at November 1, 1997, November 2, 1996 and October 28, 1995. The currency swap agreement outstanding at November 1, 1997 has a remaining maturity of 2.5 years and is expected to remain in effect until expiration.

The Company enters into interest rate swap and cap agreements to manage its exposure to interest rate movements by effectively converting a portion of its debt and certain financing arrangements from fixed to variable rates. Maturity dates of interest rate swap and cap agreements generally match those of the underlying debt or financing arrangements. These agreements, which have maturities of up to ten years involve the exchange of fixed rate payments for variable rate payments without the exchange of the underlying principal amounts. Variable rates are based on six-month U.S. dollar LIBOR and reset on a semiannual basis. The differential between fixed and variable rates to be paid or received is accrued as interest rates change in accordance with the agreements and recognized over the life of the agreements as an adjustment to interest expense. The notional principal amounts of interest rate swap and cap agreements outstanding were approximately \$50 million, at November 1, 1997, November 2, 1996 and October 28, 1995.

The cash requirements of the above-described financial instruments approximate their fair value. Cash flows associated with these financial instruments are classified consistent with the cash flows from the transactions being hedged.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the consolidated financial statements. The market risk associated with these instruments resulting from currency exchange rate or interest rate movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to the Company's foreign exchange and interest rate instruments consist of a number of major international financial institutions with high credit ratings. The Company does not believe that there is significant risk of nonperformance by these counterparties because the Company continually monitors the credit ratings of such counterparties, and limits the financial exposure and the amount of agreements entered into with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## i. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

	NOVEMBER 1, 1997		NOVEMBER 2, 1996		OCTOBER 28, 1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Assets:</b>						
Cash and cash equivalents	\$289,601	\$289,601	\$210,109	\$210,109	\$69,303	\$69,303
Short-term investments	51,006	51,006	89,810	89,810	81,810	81,810
Long-term investments	23,168	23,168	5,425	5,425	-	-
<b>Liabilities:</b>						
Short-term borrowings	-	-	(178)	(178)	(2,299)	(2,299)
Long-term debt, including current portion	(310,000)	(427,640)	(310,000)	(369,513)	(80,000)	(80,130)
<b>Foreign Currency Instruments and Interest Rate Agreements:</b>						
Interest rate swap and cap agreements	(31)	(413)	18	(491)	(30)	(175)
Forward foreign currency exchange contracts	2,260	(400)	2,672	3,585	7,798	9,089
Foreign currency option contracts	267	187	130	240	388	1,645
Currency swap agreements	1,632	1,363	1,131	922	413	485

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

**Cash, cash equivalents and investments**-The carrying amounts of these items are a reasonable estimate of their fair value due to the short term to maturity and readily available market for these types of investments.

**Short-term borrowings**-The carrying amounts of these variable-rate borrowings approximate fair value due to the short period of time to maturity.

**Long-term debt**-The fair value of long-term debt is estimated based on current interest rates available to the Company for debt instruments with similar terms, degree of risk and remaining maturities.

**Interest rate swap and cap agreements**-The fair value of interest rate swap and cap agreements are obtained from dealer quotes. These values represent the estimated amount the Company would receive or pay to terminate the agreements taking into consideration current interest rates.

**Forward foreign currency exchange contracts**-The estimated fair value of forward foreign currency exchange contracts is based on the estimated amount at which they could be settled based on forward market exchange rates.

**Foreign currency option contracts and currency swap agreements**-The fair values of foreign currency option contracts and currency swap agreements are obtained from dealer quotes. These values represent the estimated net amount the Company would receive or pay to terminate the agreements.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## j. 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 contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets, allowances for doubtful accounts and customer returns, inventory reserves, potential reserves relating to litigation matters, accrued liabilities, and other reserves. Actual results could differ from those estimates, and such differences may be material to the financial statements.

## k. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of investments and trade accounts receivable.

The Company maintains cash, cash equivalents and short-term investments with high credit quality financial institutions and monitors the amount of credit exposure to any one financial institution.

The Company sells its products to distributors and original equipment manufacturers involved in a variety of industries including industrial automation, instrumentation, military/aerospace, and to an increasing degree, communications, computers and peripherals, and high-performance consumer electronics. The Company has adopted credit policies and standards to accommodate growth in these markets. The Company performs continuing credit evaluations of its customers' financial condition and although the Company generally does not require collateral, letters of credit may be required from its customers in certain circumstances. Reserves are provided for estimated amounts of accounts receivable which may not be collected.

## l. CONCENTRATION OF OTHER RISKS

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures, and cyclical market patterns. The Company's financial results are affected by a wide variety of factors, including general economic conditions worldwide, economic conditions specific to the semiconductor industry, the timely implementation of new manufacturing technologies, the ability to safeguard patents and intellectual property in a rapidly evolving market, and reliance on assembly and test subcontractors, third-party wafer fabricators and independent distributors. As a result, the Company may experience significant period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

## m. REVENUE RECOGNITION

Revenue from product sales to end users is recognized upon shipment. A portion of the Company's sales are made to domestic distributors under agreements allowing for price protection and certain rights of return. Under these domestic distributor agreements where pricing concessions and future returns cannot be reasonably estimated, the Company defers recognition of such sales and related gross margin until the merchandise is sold by the distributors. In fiscal 1997, the Company entered into other agreements with some domestic distributors covering the sale of selected products. Under these new agreements, price concessions and future returns are restricted and can be reasonably estimated. Accordingly, the Company recognizes revenue upon shipment of products covered by these agreements and provides specific reserves for possible returns and allowances. For sales to international distributors, the Company recognizes the sale upon shipment, but provides specific reserves for possible returns and allowances.

## n. INCOME TAXES

Income taxes have been provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," under which deferred tax liabilities and assets at the end of each period are determined based on the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rate expected to be in effect when the taxes are actually paid or recovered. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## o. STOCK-BASED COMPENSATION

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and accordingly, recognizes no compensation expense for the stock option grants. In fiscal 1997, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). FAS 123 requires the recognition of, or disclosure of, compensation expense for grants of stock options or other equity instruments issued to employees based on their fair value at the date of grant. As permitted by FAS 123, the Company elected the disclosure requirements instead of recognition of compensation expense and therefore will continue to apply existing accounting rules.

## p. EARNINGS PER SHARE OF COMMON STOCK

The Company computes its earnings per share in accordance with the provisions of the Accounting Principles Board Opinion No. 15 ("APB 15"), "Earnings Per Share." Primary earnings per common share are computed based on the weighted average number of common shares outstanding during the year, adjusted for incremental shares assumed issued (including incremental shares for 3 1/2% convertible debt) for dilutive common stock equivalents. Fully diluted earnings per share do not differ materially from primary earnings per share. In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," ("FAS 128") which supersedes APB 15 and is required to be adopted in financial statements issued after December 31, 1997. For the first quarter of fiscal 1998, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements, primary and fully diluted earnings per share will be replaced by basic and diluted earnings per share. Basic earnings per share is computed based only on the weighted average number of common shares outstanding during the period and the dilutive effect of stock options is excluded. Diluted earnings per share is computed essentially in the same manner as fully diluted earnings per share with some exceptions. The primary exception affecting the Company is that the dilutive effect of stock options is always based on the average market price of the stock during the period, not the higher of the average and period end market price as required under APB 15.

If the Company computed its earnings per share based on FAS 128, the pro forma amounts for basic and diluted earnings per share would have been as follows:

	1997	1996	1995
Basic Earnings Per Share	\$1.13	\$1.12	\$0.79
Diluted Earnings Per Share	\$1.04	\$1.03	\$0.75

## q. NEW ACCOUNTING STANDARDS

The Company has not yet adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" which will require adoption in fiscal 1999. The Company is in the process of determining the effect of adoption of these statements on its consolidated financial statements and related disclosures.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 3. INDUSTRY AND GEOGRAPHIC SEGMENT INFORMATION

## INDUSTRY

The Company operates predominantly in one industry segment: the design, manufacture and marketing of a broad line of high-performance linear, mixed-signal and digital integrated circuits that address a wide range of real-world signal processing applications.

## GEOGRAPHIC INFORMATION

The Company operates in three major geographic areas. Information on the Company's geographic operations is set forth in the table below. The predominant countries comprising European operations are England, France, Germany and Ireland. The predominant country comprising Asian operations is Japan. For segment reporting purposes, sales generated by North American operations in the table include export sales of \$147,601,000, \$159,862,000 and \$97,446,000 in 1997, 1996 and 1995, respectively. Transfers between geographic areas are negotiated based on market comparables. Operating income reflects the allocation of corporate expenses of \$22,049,000, \$24,093,000 and \$23,190,000 in 1997, 1996 and 1995, respectively, to the appropriate geographic area based upon their beneficial and causal relationship to each area. Corporate identifiable assets consist of cash equivalents, short-term investments and intangible assets.

GEOGRAPHIC SEGMENT INFORMATION		1997	1996	1995
SALES	North America, including export.....	\$ 711,252	\$ 658,627	\$ 509,625
	Europe.....	359,333	364,308	264,401
	Asia.....	172,909	170,851	167,520
	Total sales.....	\$ 1,243,494	\$ 1,193,786	\$ 941,546
TRANSFERS BETWEEN AREAS	North America, including export.....	\$ 334,783	\$ 348,574	\$ 286,021
	Europe.....	240,592	189,911	141,925
	Asia.....	48,131	39,749	30,180
	Total transfers between areas.....	\$ 623,506	\$ 578,234	\$ 458,126
OPERATING INCOME	North America, including export.....	\$ 103,173	\$ 121,877	\$ 92,640
	Europe.....	125,118	103,158	63,627
	Asia.....	5,125	2,104	1,500
	Total operating income.....	\$ 233,416	\$ 227,139	\$ 157,767
IDENTIFIABLE ASSETS	North America.....	\$ 891,345	\$ 734,637	\$ 437,532
	Europe.....	398,033	364,084	290,008
	Asia.....	142,838	116,527	107,742
	Corporate.....	331,637	293,024	158,067
	Total assets.....	\$ 1,763,853	\$ 1,508,272	\$ 993,349

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 4. INVESTMENTS

Investments at November 1, 1997, November 2, 1996 and October 28, 1995 were as follows:

	1997	1996	1995
WaferTech, LLC	\$ 86,715	\$ 42,073	\$ -
CSM	20,784	20,784	13,980
Other	23,969	5,525	-
	\$ 131,468	\$ 68,382	\$ 13,980

In June 1996, the Company entered into a joint venture agreement with Taiwan Semiconductor Manufacturing Co., Ltd., two other companies and several individual investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington. The Company received an 18% equity ownership in the joint venture, known as WaferTech, in return for a \$140 million investment. The investment was made in three installments. The first installment of \$42 million was paid in fiscal 1996. A second installment of \$42 million was paid in fiscal 1997 and the remaining installment of \$56 million was paid in fiscal 1998 on November 3, 1997. In addition, the Company has an obligation to guarantee its pro rata share of debt incurred by WaferTech, up to a maximum for the Company of \$45 million. The Company is applying the equity basis of accounting to this investment in WaferTech based on the Company's ability to exercise significant influence on the operating and financial policies of the joint venture. The operating results of this joint venture to date have not been material.

The Company has an equity investment in Chartered Semiconductor Manufacturing Pte., Ltd. in Singapore of approximately \$21 million which represents a less than 5% ownership interest. The Company accounts for this investment under the cost method and therefore changes in the value of the investment are not recognized unless an impairment in the value of the investment is deemed by management to be "other than temporary."

Other investments consist primarily of long-term investments in debt and equity securities.

## 5. ACCRUED LIABILITIES

Accrued liabilities at November 1, 1997, November 2, 1996 and October 28, 1995 consisted of the following:

	1997	1996	1995
Accrued compensation and benefits	\$ 49,089	\$ 48,848	\$ 47,785
Other	26,355	27,801	18,054
Total accrued liabilities	\$ 75,444	\$ 76,649	\$ 65,839

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 6. DEBT AND CREDIT FACILITIES

## 3 1/2% NOTES

On December 18, 1995, the Company completed a public offering of \$230,000,000 of five-year 3 1/2% Convertible Subordinated Notes due December 1, 2000 with semiannual interest payments due on June 1 and December 1. The Notes are convertible, at the option of the holder, into the Company's common stock at any time, unless previously redeemed by the Company, at a conversion price of \$20.938 per share, subject to adjustment in certain events.

## 6 5/8% NOTES

On March 11, 1993, the Company completed a public offering of \$80 million of seven-year 6 5/8% Notes due March 1, 2000 with semiannual interest payments due on March 1 and September 1. Simultaneous with the sale of the Notes, the Company entered into an interest rate swap and cap agreement for the term of the Notes having a notional principal amount of \$40 million whereby the effective net interest rate on \$40 million of the Notes will be the six-month LIBOR rate (up to a maximum of 7%) plus 1.4%. For the year ended November 1, 1997, the net effective interest rate on \$40 million of the Notes was 7.5% after giving effect to the interest rate swap agreement.

## REVOLVING CREDIT AGREEMENT AND LINES OF CREDIT

The Company has a revolving credit agreement with several banks which commits them to lend up to \$60,000,000. The credit agreement requires the Company to maintain stated minimum net worth and current ratio levels, plus a stated maximum ratio of total liabilities to net worth. In addition, the credit agreement restricts the aggregate of all cash dividend payments declared or made subsequent to November 2, 1996 to an amount not exceeding \$150,000,000 plus 50% of the consolidated net income of the Company for the period from November 3, 1996 through the end of the Company's then most recent fiscal quarter. At November 1, 1997 this amount was equal to \$239,110,000. At November 1, 1997, the Company was in compliance with all covenants under the credit agreement.

Long-term debt at November 1, 1997, November 2, 1996 and October 28, 1995 consisted of the following:

	1997	1996	1995
3 1/2% Convertible Subordinated Notes due 2000	\$ 230,000	\$ 230,000	\$ -
6 5/8% Notes due 2000	80,000	80,000	80,000
-----			
Long-term debt	\$ 310,000	\$ 310,000	\$ 80,000
=====			

Aggregate principal payments on long-term debt and short-term borrowings for the following fiscal years are: 2000-\$80 million; and 2001-\$230 million.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 7. LEASE COMMITMENTS

The Company leases certain of its facilities and equipment under various operating and capital leases which expire at various dates through 2010. The lease agreements frequently include renewal and purchase provisions and require the Company to pay taxes, insurance and maintenance costs.

Total rental expense under operating leases was \$13,058,000, \$11,573,000 and \$11,243,000 in 1997, 1996 and 1995, respectively.

The following is a schedule of future minimum lease payments under capital leases and rental payments required under long-term operating leases at November 1, 1997:

FISCAL YEARS	OPERATING LEASES	CAPITAL LEASES
1998	\$ 11,229	\$ 13,416
1999	10,608	13,398
2000	8,369	13,361
2001	4,997	6,652
2002	2,617	4,745
Later Years	3,883	3,700
Total	\$ 41,703	55,272
Less amount representing interest		(4,687)
Present value of minimum lease payments		\$ 50,585

Net property, plant and equipment includes the following for capital leases:

	1997	1996	1995
Land and buildings	\$ -	\$ -	\$ 1,828
Machinery and equipment	68,912	61,793	829
Less accumulated amortization	(13,859)	(4,198)	(2,639)
Net capital leases	\$ 55,053	\$ 57,595	\$ 18

## 8. COMMITMENTS AND CONTINGENCIES

## LITIGATION

The Company was a defendant in two lawsuits brought in Texas by Texas Instruments, Inc. ("TI"), alleging patent infringement, including patent infringement arising from certain plastic encapsulation processes, and seeking an injunction and unspecified damages against the Company. The alleged infringement of one of these patents was also the subject matter of a proceeding brought by TI against the Company before the International Trade Commission ("ITC"). On January 10, 1994, the ITC brought an enforcement proceeding against the Company alleging that the Company had violated the ITC's cease and desist order of February 1992 (as modified in July 1993), which prohibited the Company's importation of certain plastic encapsulated circuits, and seeking substantial penalties against the Company for these alleged violations. In addition, in June 1992, the Company commenced a lawsuit against TI in Massachusetts alleging certain TI digital signal processors infringed one of the Company's patents. Effective April 1, 1995, the Company and TI settled both Texas lawsuits and the Massachusetts lawsuit principally by means of a royalty-free cross license of certain of the Company's and TI's patents.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On April 25, 1995, the Company filed with the ITC a motion to terminate the ITC enforcement proceeding on the grounds that further action by the ITC was unnecessary in light of the Company's settlement with TI. On May 8, 1995, an Administrative Law Judge issued a recommended determination to the ITC to grant the Company's motion to terminate the ITC proceeding. The investigative office of the ITC opposed the motion, claiming that, notwithstanding the Company's settlement with TI, the Company's alleged violation of the ITC's cease and desist order warranted the imposition of substantial penalties. On September 11, 1996, the ITC adopted the determination of the Administrative Law Judge to terminate the enforcement proceeding and referred to the Department of Justice by letter certain allegations that the Company made false representations in reports filed with the ITC. The Company advised the Department of Justice that it has consistently and vigorously denied such allegations during the entire course of the proceedings before the ITC and the Department of Justice informed the Company that its statement would be considered in connection with any action it may take on the matter. The Company is aware of no further activity by the Department of Justice, and is unable to determine whether further activity will occur regarding the foregoing matter.

In addition, from time to time as a normal incidence of the nature of the Company's business, various claims, charges and litigation are asserted or commenced against the Company arising from or related to contractual matters, patents, trademarks, personal injury, environmental matters and product liability. Such litigation includes patent infringement actions brought against the Company by Sextant Avionique, S.A. in France and the United States and Commissariat A. L'energie Atomique C.E.A. in France, claiming that the Company's accelerometer infringes certain patents. In the French proceeding commenced by Sextant Avionique, S.A., the French court has found that the Company has infringed Sextant's French patents, and therefore, unless the decision is reversed, the Company will be unable to manufacture or sell any infringing accelerometers in France. The Company does not believe that this decision will have any material adverse effect on its consolidated financial position or consolidated results of operations. As to other pending litigation, the Company can give no assurance that it will prevail; however, the Company does not believe that these matters will have a material adverse effect on the Company's consolidated financial position or consolidated results of operations. However, an adverse resolution could have an adverse effect on the Company's consolidated results of operations in the quarter in which these matters are resolved.

## IRISH GRANTS

The Company's manufacturing facility in Limerick, Ireland has received operating and capital grants from Ireland's Industrial Development Authority. A liability to repay up to \$18 million of the grants received by the Company would arise in the unlikely event the Company should discontinue its Irish operations prior to the commitment periods noted in the grant agreements which expire at various dates through 2006.

## WAFER SUPPLY AGREEMENTS

In fiscal 1997, in accordance with a previous agreement, the Company paid \$12 million to Chartered Semiconductor Manufacturing Pte., Ltd. for a total deposit of \$20 million. This deposit is classified in the balance sheet line item "Other assets." Under the terms of this agreement, the deposit will guarantee access to certain quantities of sub-micron wafers through fiscal 2000. If the Company does not purchase the minimum quantities under the agreement, the deposit will be forfeited for the value of the wafer shortfall up to the total amount of \$20 million. At the end of the agreement term, the Company's deposit will be returned, net of any forfeitures.

## 9. STOCKHOLDERS' EQUITY

## COMMON STOCK

In March 1997, the stockholders approved an amendment to the Company's Articles of Organization to increase the authorized number of shares of common stock from 450,000,000 to 600,000,000.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## STOCK PLANS

The 1988 Stock Option Plan provides for the issuance of nonstatutory and incentive stock options to purchase up to 29,900,000 shares of common stock. Under this plan, options may be granted to selected employees of the Company and its subsidiaries at a price not less than 100% of the fair market value of the underlying stock on the date of grant. The Company's 1980 Stock Option Plan was terminated upon adoption of the 1988 Stock Option Plan; however, options to purchase common stock remain outstanding under that plan.

While the Company may grant options to employees which become exercisable at different times or within different periods, the Company has generally granted options to employees which are exercisable on a cumulative basis in annual installments of 33 1/3% each on the third, fourth and fifth anniversaries of the date of grant.

Under the 1994 Director Option Plan, each nonemployee director is granted annually for four years a nonstatutory option to purchase 10,500 shares of common stock at an exercise price equal to the fair market value on the date of grant. A total of 400,000 shares of common stock may be issued under this plan. These options are exercisable on a cumulative basis in annual installments of 33 1/3% each on the first, second and third anniversaries of the date of grant. The Company also has options outstanding under the 1992 Director Option Plan and the 1989 Director Stock Option Plan. Options granted under these plans are exercisable on a cumulative basis in annual installments of 33 1/3% each on the third, fourth and fifth anniversaries of the date of grant.

Information with respect to activity under the stock option plans is set forth below:

STOCK OPTION ACTIVITY	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	
		NUMBER	WEIGHTED AVERAGE PRICE PER SHARE
Balance, October 29, 1994	7,743	12,593	\$ 4.40
Shares authorized for 1994 Director Stock Option Plan	400	-	-
Options granted	(3,550)	3,550	\$ 10.39
Options exercised	-	(1,416)	\$ 2.80
Options canceled (1)	495	(524)	\$ 5.70
Shares canceled upon termination of 1992 Director Option Plan	(91)	-	-
Balance, October 28, 1995	4,997	14,203	\$ 6.01
Additional shares authorized for 1988 Stock Option Plan	9,200	-	-
Options granted	(3,881)	3,901	\$ 16.22
Options exercised	-	(2,072)	\$ 2.80
Options canceled (1)	451	(454)	\$ 10.37
Balance, November 2, 1996	10,767	15,578	\$ 8.87
Options granted	(4,081)	4,081	\$ 23.33
Options exercised	-	(2,432)	\$ 4.21
Options canceled (1)	312	(322)	\$ 14.13
Balance, November 1, 1997	6,998	16,905	\$ 12.92

(1) Options canceled which were originally issued from the 1988 Stock Option Plan and the 1994 Director Option Plan are available for subsequent grants. The remaining options canceled in 1997, 1996 and 1995 were issued from the 1980 Stock Option and 1992 Director Option Plans under which no further options will be granted.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

At November 1, 1997, options to purchase 3,434 shares of common stock were exercisable (3,588 at November 2, 1996 and 3,979 at October 28, 1995).

The following table summarizes information about options outstanding at November 1, 1997:

RANGE OF EXERCISE PRICE	OUTSTANDING OPTIONS			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 11/1/97	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 11/1/97	WEIGHTED AVERAGE EXERCISE PRICE
\$ 1.96 - \$ 6.63	2,771	4.02	\$ 3.03	2,726	\$ 2.98
\$ 7.04 - \$ 13.44	6,434	6.69	\$ 8.88	679	\$ 7.81
\$ 14.63 - \$ 20.25	3,707	8.10	\$ 16.32	23	\$ 17.59
\$ 20.44 - \$ 26.75	3,905	9.31	\$ 23.08	6	\$ 24.53
\$ 27.38 - \$ 34.63	88	9.70	\$ 30.38	-	\$ -
<b>\$ 1.96 - \$ 34.63</b>	<b>16,905</b>	<b>7.18</b>	<b>\$ 12.92</b>	<b>3,434</b>	<b>\$ 4.07</b>

The Company has an employee stock purchase plan ("ESPP") that allows eligible employees to purchase, through payroll deductions, shares of the Company's common stock at 85% of the fair market value at specified dates. Employees purchased 579,200 shares in 1997 (664,200 and 835,700 in 1996 and 1995, respectively) for \$10.2 million (\$9.0 million and \$6.9 million in 1996 and 1995, respectively). At November 1, 1997, 964,200 common shares remained available for issuance under the stock purchase plan.

Under the 1991 Restricted Stock Plan, a maximum of 2,700,000 shares of common stock was authorized for awards by the Company to key employees for nominal consideration. This plan succeeded the Company's 1978 Restricted Stock Plan which provided for the issuance of up to 7,372,800 shares of common stock. Shares awarded from both plans are restricted as to transfer, usually for a period of five years and, under certain conditions, may be subject to repurchase by the Company at the original purchase price per share. Shares awarded under the Company's restricted stock plans, net of cancellations, for 1997, 1996 and 1995 were 168,000, 212,000 and 20,000, respectively. The fair market value of the shares at the date of award was accounted for as deferred compensation and is being amortized over the restricted period. During 1997, 1996 and 1995, \$2,309,000, \$1,949,000 and \$1,672,000, respectively, of such compensation was charged to expense. At November 1, 1997, there were 815,000 shares of common stock available for issuance under the 1991 Restricted Stock Plan.

As of November 1, 1997, a total of 36,647,062 common shares were reserved for issuance under the Company's stock plans.

## STOCK-BASED COMPENSATION

As permitted under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, in accounting for stock-based awards to employees. Under APB 25, the Company generally recognized no compensation expense with respect to such awards.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Pro forma information regarding net income and earnings per share is required by FAS 123 for awards granted after October 28, 1995 as if the Company had accounted for its stock-based awards to employees under the fair value method of FAS 123. The fair value of the Company's stock-based awards to employees was estimated using a Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's stock-based awards to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards to employees. The fair value of the Company's stock-based awards to employees was estimated assuming no expected dividends and the following weighted average assumptions:

	OPTIONS		ESPP	
	1997	1996	1997	1996
Expected life (years)	6.2	6.2	1.0	1.0
Expected stock price volatility	47.7%	43.5%	56.0%	55.8%
Risk-free interest rate	6.2%	5.7%	5.8%	5.8%

The following is a summary of weighted average grant date values generated by application of the Black-Scholes model:

	WEIGHTED AVERAGE GRANT DATE VALUE	
	1997	1996
Stock option plans	\$ 12.68	\$8.36
ESPP	\$ 9.53	\$7.37

As required under FAS 123, the reported net income and earnings per share have been presented to reflect the impact had the Company been required to include the amortization of the Black-Scholes option value as expense. For purposes of this disclosure, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Company's pro forma information follows:

	1997	1996
Pro forma net income	\$170,173	\$170,717
Pro forma earnings per share	\$0.97	\$1.00

The effects on pro forma disclosures of applying FAS 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because FAS 123 is applicable only to options granted subsequent to October 28, 1995, the pro forma effect will not be fully reflected until 2000.

## PREFERRED STOCK

The Company has 500,000 authorized shares of \$1.00 par value Preferred Stock. The Board of Directors is authorized to fix designations, relative rights, preferences and limitations on the preferred stock at the time of issuance.

## COMMON STOCK PURCHASE RIGHTS

In 1988, the Board of Directors adopted a Stockholder Rights Plan which was amended in 1989. Pursuant to the Stockholder Rights Plan, each share of common stock has an associated right. Under certain circumstances, each right entitles the holder to purchase from the Company one share of common stock at an exercise price of \$20.00 per share, subject to adjustment.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The rights are not exercisable and cannot be transferred separately from the common stock until ten days after a person acquires 20% or more or makes a tender offer for 30% or more of the Company's common stock. If, after the rights become exercisable, (i) any person becomes the owner of 20% or more of the Company's common stock, or (ii) the Company is the surviving entity in a merger with a 20% or more stockholder, or (iii) a 20% or more stockholder engages in certain "self-dealing" transactions with the Company, each right not owned by such person will entitle its holder to purchase, at the right's exercise price, common stock having a value of two times the exercise price of the right. In addition, if the Company is either (i) acquired in a merger or other business combination in which the Company is not the surviving entity, or (ii) sells or transfers 50% or more of its assets or earning power to another party, each right will entitle its holder to purchase, upon exercise, common stock of the acquiring Company having a value equal to two times the exercise price of the right.

The rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. The rights expire on February 12, 1998 but may be redeemed by the Company for \$.0067 per right at any time prior to the tenth day following a person's acquisition of 20% or more of the Company's common stock. So long as the rights are not separately transferable, the Company will issue one right with each new share of common stock issued.

## 10. RETIREMENT PLANS

The Company and its subsidiaries have various savings and retirement plans covering substantially all employees. The Company maintains a defined contribution plan for the benefit of its eligible United States employees. This plan provides for Company contributions of up to 5% of each participant's total eligible compensation. In addition, the Company contributed an amount equal to each participant's contribution, if any, up to a maximum of 2% of each participant's total eligible compensation. During fiscal 1996, the Company's contributions increased to match an additional 50% of employee contributions between 2% and 4% of total eligible compensation. The Company also has various defined benefit pension and other retirement plans for certain foreign employees that are consistent with local statutes and practices. The total expense related to all of the Company's retirement plans in 1997, 1996 and 1995 was \$19 million, \$17 million and \$14 million, respectively, which primarily consists of costs related to the domestic defined contribution plan. Also included in total expense is pension expense related to foreign defined benefit plans of approximately \$3 million for 1997, 1996 and 1995. Summary data related to these foreign plans at November 1, 1997 is as follows: accumulated benefit obligation, substantially vested, of \$26 million; projected benefit obligation of \$51 million; plan assets at fair value of \$51 million; discount rates ranging from 4% to 12%; compensation increase rates ranging from 3% to 10% and expected rate of return on assets ranging from 0% to 13%.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 11. INCOME TAXES

The reconciliation of income tax computed at the U.S. federal statutory rates to income tax expense is as follows:

	LIABILITY METHOD		
	1997	1996	1995
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Income tax provision reconciliation:			
Tax at statutory rate	\$ 82,578	\$ 80,759	\$ 55,803
Irish income subject to lower tax rate	(19,880)	(17,813)	(13,436)
Change in valuation allowance	(1,835)	(2,641)	-
State income taxes, net of federal benefit	964	1,338	1,833
Research and development tax credits	(5,000)	(1,300)	(325)
Foreign Sales Corporation	(3,161)	(3,575)	(3,200)
Amortization of goodwill	528	506	503
Net foreign tax in excess of (less than)			
U.S. federal statutory tax rate	2,765	957	(1,076)
Other, net	701	608	63
Total income tax provision	\$ 57,660	\$ 58,839	\$ 40,165

For financial reporting purposes, income before income taxes includes the following components:

	1997	1996	1995
Pretax income:			
Domestic	\$ 84,599	\$ 101,760	\$ 76,230
Foreign	151,280	128,980	83,205
Total	\$ 235,879	\$ 230,740	\$ 159,435

The components of the provision for income taxes are as follows:

	1997	1996	1995
Current:			
Federal	\$ 35,500	\$ 34,278	\$ 32,860
Foreign	26,811	15,737	16,734
State	1,483	2,100	2,820
Total current	\$ 63,794	\$ 52,115	\$ 52,414
Deferred (prepaid):			
Federal	\$ (3,364)	\$ 1,318	\$ (10,887)
Foreign	(2,770)	5,406	(1,362)
Total deferred (prepaid)	\$ (6,134)	\$ 6,724	\$ (12,249)

The Company's practice is to reinvest indefinitely the earnings of certain international subsidiaries. Accordingly, no U.S. income taxes have been provided for approximately \$470,468,000 of unremitted earnings of international subsidiaries.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration of book and tax capital losses. For tax purposes, the Company has a capital tax loss carryforward of approximately \$13,009,000 expiring through the year 2002. The balance for the valuation allowance for deferred assets was \$5.6 million at November 1, 1997, \$7.4 million at November 2, 1996 and \$10.0 million at October 28, 1995.

## ANALOG DEVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The significant components of the Company's deferred tax assets and liabilities for the fiscal years ended November 1, 1997, November 2, 1996 and October 28, 1995 are as follows:

	1997	1996	1995
-----			
Deferred tax assets:			
Inventory reserves	\$ 21,734	\$ 20,061	\$ 18,309
Capital loss carryover	5,559	7,394	8,513
Deferred income on shipments to distributors	13,601	12,518	7,898
Reserves for compensation and benefits	6,965	5,330	4,274
Restricted stock	2,689	1,893	2,031
Intercompany profits in foreign inventories	4,973	3,965	5,335
Reserve for bad debts	6,508	2,242	1,171
Foreign tax credits	1,795	381	2,301
Other	2,289	1,739	4,646
-----			
Total gross deferred tax assets	66,113	55,523	54,478
Valuation allowance for deferred tax assets	(5,559)	(7,394)	(10,035)
-----			
Total deferred tax assets	\$ 60,554	\$ 48,129	\$ 44,443
-----			
Deferred tax liabilities:			
Depreciation	\$ (26,533)	\$ (20,242)	\$ (9,832)
-----			
Total gross deferred liabilities	\$ (26,533)	\$ (20,242)	\$ (9,832)
-----			
Net deferred tax assets	\$ 34,021	\$ 27,887	\$ 34,611
=====			

## REPORT OF ERNST &amp; YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Analog Devices, Inc.

We have audited the accompanying consolidated balance sheets of Analog Devices, Inc. as of November 1, 1997, November 2, 1996 and October 28, 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended November 1, 1997. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Analog Devices, Inc. at November 1, 1997, November 2, 1996 and October 28, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 1, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP  
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Boston, Massachusetts  
December 2, 1997

## ANALOG DEVICES, INC.

## SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for fiscal 1997 and fiscal 1996 (thousands of dollars except as noted):

	4Q97	3Q97	2Q97	1Q97	4Q96	3Q96	2Q96	1Q96
Net sales	332,479	318,139	300,813	292,063	304,647	305,042	303,328	280,769
Cost of sales	164,336	158,816	150,544	148,621	152,121	152,331	150,362	138,219
Gross margin	168,143	159,323	150,269	143,442	152,526	152,711	152,966	142,550
% of sales	51%	50%	50%	49%	50%	50%	50%	51%
Operating expenses:								
Research and development	52,781	49,895	47,768	45,704	46,498	45,569	44,848	40,857
Selling, marketing, general and administrative	50,684	48,939	46,859	45,131	48,460	48,562	50,017	48,803
Total operating expenses	103,465	98,834	94,627	90,835	94,958	94,131	94,865	89,660
% of sales	31%	31%	31%	31%	31%	31%	31%	32%
Operating income	64,678	60,489	55,642	52,607	57,568	58,580	58,101	52,890
% of sales	20%	19%	19%	18%	19%	19%	19%	19%
Nonoperating expenses (income):								
Interest expense	2,804	2,950	2,973	3,780	3,155	3,266	3,040	1,828
Interest income	(4,642)	(4,166)	(3,976)	(3,394)	(4,141)	(3,688)	(4,807)	(3,899)
Other	325	413	477	(7)	626	(181)	417	783
Total nonoperating (income) expense	(1,513)	(803)	(526)	379	(360)	(603)	(1,350)	(1,288)
Income before income taxes	66,191	61,292	56,168	52,228	57,928	59,183	59,451	54,178
% of sales	20%	19%	19%	18%	19%	19%	20%	19%
Provision for income taxes	15,238	15,323	14,051	13,048	13,908	15,387	15,458	14,086
Net income	50,953	45,969	42,117	39,180	44,020	43,796	43,993	40,092
% of sales	15%	14%	14%	13%	14%	14%	15%	14%
Per share	.29	.27	.25	.23	.26	.26	.26	.25
Shares used to compute earnings per share (in thousands)	179,408	177,773	176,721	175,950	174,082	172,921	172,576	165,576

## EXHIBIT 21

## SUBSIDIARIES

The following is a list of the Company's subsidiaries:

	ORGANIZED UNDER LAW OF -----	PERCENTAGE OF VOTING SECURITIES OWNED BY REGISTRANT AS OF NOVEMBER 1, 1997 -----
Analog Devices Limited	United Kingdom	100%
Analog Devices, GmbH	Germany	100%
Analog Devices, S.A.	France	100%
Analog Devices, K.K.	Japan	100%
Analog Devices APS	Denmark	100%
Analog Devices Nederland, B.V.	The Netherlands	100%
Analog Devices International, Inc.	Massachusetts	100%
Analog Devices Israel, Ltd.	Israel	100%
Analog Devices A.B.	Sweden	100%
Analog Devices SRL	Italy	100%
Analog Devices, HDLSGESMBH M.B.H.	Austria	100%
Analog Devices Korea, Ltd.	Korea	100%
Analog Devices, B.V.	The Netherlands	100%
Analog Devices Finance N.V.	Netherlands Antilles	100%
Analog Devices Holdings, B.V.	The Netherlands	100%
Analog Devices Research & Development Ltd.	Ireland	100%
Analog Devices (Philippines), Inc.	The Philippines	100%
Analog Devices Foreign Sales Corporation, B.V.	The Netherlands	100%
Analog Devices Foundry Services, Inc.	Delaware	100%
Analog Devices Asian Sales, Inc.	Delaware	100%
Analog Devices Taiwan, Ltd.	Taiwan	100%
Analog Devices Ireland, Ltd.	Ireland	100%
Analog Devices Hong Kong, Ltd.	Hong Kong	100%
Analog Devices Pty, Ltd.	Australia	100%
Analog Devices India Private Limited	India	100%
Analog Devices Gen. Trias, Inc.	Philippines	100%
Analog Devices International Financial Services Company	Ireland	100%
Analog Devices Foreign Sales Corporation	Barbados	100%
Mosaic Microsystems Limited	United Kingdom	100%
Analog Development (Israel) 1996 Ltd.	Israel	100%
Analog Devices (China) Co. Ltd.	China	100%
Analyzed Investments, Ltd.	Ireland	54%
Analog/NCT Supply Ltd.	Delaware	50%
Analog Devices Realty Holdings, Inc.	Philippines	40%
WaferTech, LLC	Delaware	18%
Analog Supplies Company	Japan	15%

## CONSENT OF ERNST &amp; YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Analog Devices, Inc. of our report dated December 2, 1997, included in the 1997 Annual Report to Shareholders of Analog Devices, Inc.

Our audit also included the financial statement schedule of Analog Devices, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the Registration Statements and related Prospectuses (Form S-8 Nos. 2-63561, 2-69122, 2-77321, 2-90023, 2-95495, 33-2502, 33-4067, 33-22604, 33-22605, 33-29484, 33-39851, 33-39852, 33-43128, 33-46520, 33-46521, 33-60696, 33-60642, 33-61427, 33-64849, 333-04771, 333-04819, 333-04821 and 333-08493 and Form S-3 Nos. 333-08505, 333-08509 and 333-17651) of Analog Devices, Inc. of our report dated December 2, 1997, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Analog Devices, Inc.

ERNST & YOUNG LLP

Boston, Massachusetts  
January 23, 1998

5  
1,000  
U.S. DOLLARS

YEAR	
	NOV-01-1997
	NOV-03-1996
	NOV-01-1997
	1
	289,601
	51,006
	295,893
	40,007
	225,966
	895,429
	1,230,675
	569,040
	1,763,853
274,394	
	310,000
0	
	0
	26,991
1,763,853	1,061,139
	1,243,494
1,243,494	
	622,317
	622,317
	387,761
	0
	12,507
	235,879
	57,660
178,219	
	0
	0
	0
	178,219
	\$1.04
	\$1.04