SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

STANDARD MICROSYSTEMS CORPORATION
(Name of Issuer)

Common Stock
(Title of Class of Securities)

853626-10-9
(CUSIP Number)

Peter N. Detkin
Acting General Counsel and Director of Litigation
Intel Corporation
2200 Mission College Boulevard
Santa Clara, CA 95052
Telephone: (408) 765-8080
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

March 18, 1997
(Date of Event which Requires
Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1 (b)(3) or (4), check the following box [ ].

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act.

1.	NAME OF REPORTING PERSON	Intel Corporation
	S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON	94-1672743
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [ ] (b) [ ]
3.	SEC USE ONLY	
4.	SOURCE OF FUNDS	WC
5.	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)	[ ]
6.	CITIZENSHIP OR PLACE OF ORGANIZATION	Delaware

NUMBER OF SHARES	7.	SOLE VOTING POWER	3,085,112
BENEFICIALLY OWNED BY	8.	SHARED VOTING POWER	N/A
EACH REPORTING	9.	SOLE DISPOSITIVE POWER	3,085,112
PERSON WITH	10.	SHARED DISPOSITIVE POWER	N/A

11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	3,085,112
12.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	[ ]
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	18.2%
14.	TYPE OF REPORTING PERSON	CO

Item 1. Security and Issuer.

(a) Name and Address of Principal Executive Offices of Issuer:
Standard Microsystems Corporation

80 Arkay Drive
Hauppauge, New York 11788

(b) Title and Class of Equity Securities: Common Stock

Item 2. Identity and Background

(a) Name of Person Filing: Intel Corporation

The executive officers and directors of Intel Corporation are set forth on Appendix A hereto.

(b) State of Incorporation: Delaware

(c) Principal Business: Manufacturer of microcomputer components, modules and systems

(d) Address of Principal Business and Principal Office:

2200 Mission College Boulevard
Santa Clara, CA 95052-8119

(e) Criminal Proceedings:

During the last five years neither the Reporting Person nor any officer or director of the Reporting Person has been convicted in any criminal proceeding.

(f) Civil Proceedings:

During the last five years neither the Reporting Person nor any officer or director of the Reporting Person has been party to any civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person would have been subject to any judgment, decree or final order enjoining future violations of or prohibiting or mandating activities subject to Federal or State securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

Funds for the purchase of the securities are derived from the Reporting Person's working capital. $14,653,807 was paid to acquire 1,542,506 shares of Common Stock of the Issuer. Additional amounts, which vary depending on the date of exercise, will be paid should the Reporting Person exercise the Warrant (as defined in Item 4).

Item 4. Purpose of the Transaction

The Reporting Person acquired the Common Stock and the Warrant (as described in Item 5(c), below) as an investment and in connection with a technology agreement between the Issuer and the Reporting Person pursuant to which the Issuer and Reporting Person will work cooperatively on the integration of new semiconductor input/output (I/O) integrated circuits into selected personal computer motherboard designs and also on a family of proprietary low-pin-count I/O devices for future applications. In addition to the 1,542,506 shares of Common Stock of the Issuer acquired by the Reporting Person, the Reporting Person also acquired a warrant (the "Warrant") to purchase up to 1,542,606 shares of Common Stock of the Issuer. The shares of Common Stock subject to the Warrant are vested and immediately exercisable . The exercise price for the shares increases periodically throughout the time that the Warrant is in effect, pursuant to a schedule set forth in the Warrant. The Warrant expires on March 18, 2000.

Item 5. Interests in Securities of the Issuer.

(a) Number of Shares Beneficially Owned: 3,085,112 shares*

Right to Acquire: 1,542,606 shares*

Percent of Class: 18.2%* (based upon 16,968,569 shares* of common stock outstanding, determined from representations made by the Issuer to the Reporting Person in connection with the closing under the Purchase Agreement (as defined below)

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* Includes the additional shares (up to 1,542,606) of Common Stock that the Reporting Person has a right to acquire pursuant to the Warrant (as defined and described in Item 4). Such shares are beneficially owned by the Reporting Person under Rule 13d-3 because the Reporting Person has a right to acquire such shares within the next 60 days.

(b) Sole Power to Vote, Direct the Vote of, or Dispose of Shares: 3,085,112 shares*

Shared Power to Vote, Direct the Vote of, or Dispose of Shares: None

(c) Recent Transactions:

On March 18, 1997, pursuant to the terms of that certain Common Stock and Warrant Purchase Agreement dated as of March 18, 1997 (the "Purchase Agreement"), the Reporting Person purchased (i) 1,542,506 newly issued shares of

Common Stock of the Issuer at a price per share of $9.50, and (ii) the Warrant to purchase up to 1,542,606 shares of Common Stock. See the Purchase Agreement and the Warrant, each of which has been filed as an Exhibit hereto, for additional details.

(d) Rights with Respect to Dividends or Sales Proceeds: N/A

(e) Date of Cessation of Five Percent Beneficial Ownership: N/A

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Pursuant to the Investor Rights Agreement between the Reporting Person and the Issuer, the Reporting Person has, under certain circumstances, various rights related to (a) registration of the Common Stock that the Reporting Person owns, (b) participation in future sales and issuances of securities by the Issuer, (c) maintaining its ownership percentage in the Issuer, (d) receiving various public filings directly from the Issuer on a periodic basis, and (e) the opportunity to acquire the Issuer or certain assets of the Issuer if the Issuer seeks other offers or receives certain unsolicited offers. The Reporting Person has certain standstill obligations relating to its acquisition of shares of Common Stock of the Issuer and certain restrictions on its voting rights. The Purchase Agreement also contains certain restrictions on transfer of the Common Stock by the Reporting Person. See the Investor Rights Agreement, attached as an Exhibit hereto, for a further description of these provisions.

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* Includes the additional shares (up to 1,542,606) of Common Stock that the Reporting Person has a right to acquire pursuant

to the Warrant (as defined and described in Item 4). Such shares are beneficially owned by the Reporting Person under Rule 13d-3 because the Reporting Person has a right to acquire such shares within the next 60 days.

Item 7. Material to Be Filed as Exhibits.

Exhibit 1	Standard Microsystems Corporation Common Stock and Warrant Purchase Agreement, dated March 18, 1997, between Standard Microsystems Corporation and Intel Corporation.
Exhibit 2	Warrant to Purchase Shares of Common Stock of Standard Microsystems Corporation, dated March 18, 1997.
Exhibit 3	Standard Microsystems Corporation Investor Rights Agreement, dated March 18, 1997, between Standard Microsystems Corporation and Intel Corporation.
Exhibit 4	Press Release of Standard Microsystems Corporation, dated March 18, 1997.
Exhibit 5	Signature Authority

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated as of March 27, 1997.

INTEL CORPORATION

/s/Peter N. Detkin
By: Peter N. Detkin
Acting General counsel
and Director of Litigation

APPENDIX A

DIRECTORS

The following is a list of all Directors of Intel Corporation and certain other information with respect to each Director. All Directors are United States citizens.

Name:	Craig R. Barrett
Business Address:	2200 Mission College Boulevard, Santa Clara, CA 95052
Principal Occupation:	Executive Vice President and Chief Operating Officer of Intel Corporation
Name, principal business and address of corporation or other organization on which employment is conducted:	Intel Corporation, a manufacturer of microcomputer components, modules and systems. 2200 Mission College Boulevard Santa Clara, CA 95052

Name:	Winston H. Chen
Business Address:	Paramitas Foundation, 3945 Freedom Circle, Suite 760, Santa Clara, CA 95054
Principal Occupation:	Chairman of Paramitas Foundation
Name, principal business and address of corporation or	Paramitas Foundation, a charitable foundation. 3945 Freedom Circle, Suite 760 Santa Clara, CA 95054

other organization on which employment is conducted:	
Name:	Andrew S. Grove
Business Address:	2200 Mission College Boulevard, Santa Clara, CA 95052
Principal Occupation:	President and Chief Executive Officer of Intel Corporation
Name, principal business and address of corporation or other organization on which employment is conducted:	Intel Corporation, a manufacturer of microcomputer components, modules and systems. 2200 Mission College Boulevard Santa Clara, CA 95052
Name:	D. James Guzy
Business Address:	1340 Arbor Road, Menlo Park, CA 94025
Principal Occupation:	Chairman of The Arbor Company
Name, principal business and address of corporation or other organization on which employment is conducted:	The Arbor Company, a limited partnership engaged in the electronics and computer industry. 1340 Arbor Road Menlo Park, CA 94025
Name:	Gordon E. Moore
Business Address:	2200 Mission College Boulevard, Santa Clara, CA 95052
Principal Occupation:	Chairman of the Board of Intel Corporation
Name, principal business and address of corporation or other organization on which employment is conducted:	Intel Corporation, a manufacturer of microcomputer components, modules and systems. 2200 Mission College Boulevard Santa Clara, CA 95052
Name:	Max Palevsky
Business Address:	924 Westwood Boulevard, Suite 700, Los Angeles CA 90024
Principal Occupation:	Industrialist
Name, principal business and address of corporation or other organization on which employment is conducted:	Self-employed.
Name:	Arthur Rock
Business Address:	One Maritime Plaza, Suite 1220, San Francisco, CA 94111
Principal	Venture Capitalist

Occupation:	
Name, principal business and address of corporation or other organization on which employment is conducted:	Arthur Rock and Company, a venture capital firm. One Maritime Plaza, Suite 1220 San Francisco, CA 94111

Name:	Jane E. Shaw
Business Address:	c/o Intel Corporation, 2200 Mission College Boulevard, Santa Clara, CA 95052
Principal Occupation:	Founder of The Stable Network, a biopharmaceutical consulting company
Name, principal business and address of corporation or other organization on which employment is conducted:	c/o Intel Corporation 2200 Mission College Boulevard Santa Clara, CA 95052

Name:	Leslie L. Vadasz
Business Address:	2200 Mission College Boulevard, Santa Clara, CA 95052
Principal Occupation:	Senior Vice President, Director, Corporate Business Development, Intel Corporation
Name, principal business and address of corporation or other organization on which employment is conducted:	Intel Corporation, a manufacturer of microcomputer components, modules and systems. 2200 Mission College Boulevard Santa Clara, CA 95052

Name:	David B. Yoffie
Business Address:	Harvard Business School, Soldiers Field Park 1-411, Boston, MA 92163
Principal Occupation:	Max and Doris Starr Professor of International Business Administration
Name, principal business and address of corporation or other organization on which employment is conducted:	Harvard Business School, an educational institution. Harvard Business School Soldiers Field Park 1-411 Boston, MA 92163

Name:	Charles E. Young
Business Address:	405 Hilgard Avenue, Los Angeles, CA 90024
Principal Occupation:	Chancellor
Name, principal business and address of corporation or other organization on which employment is conducted:	University of California at Los Angeles, an educational institution. 405 Hilgard Avenue Los Angeles, CA 90024

EXECUTIVE OFFICERS

The following is a list of all executive officers of Intel Corporation excluding executive officers who are also directors. Unless otherwise indicated, each officer's business address is 2200 Mission College Boulevard, Santa Clara, CA 95052-8119, which address is Intel Corporation's business address. All executive officers are United States citizens.

Name: Frank C. Gill
Title: Executive Vice President; General Manager, Internet and Communications Group
Address: 5200 N.E. Elam Young Parkway, Hillsboro, OR 97124-6497

Name: Paul S. Otellini
Title: Executive Vice President; Director, Sales and Marketing Group

Name: Gerhard H. Parker
Title: Executive Vice President, General Manager, Technology and Manufacturing Group

Name: Ronald J. Whittier
Title: Senior Vice President; General Manager, Content Group

Name: Albert Y. C. Yu
Title: Senior Vice President; General Manager, Microprocessor Products Group

Name: Michael A. Aymar
Title: Vice President; General Manager, Desktop Products Group

Name: Andy D. Bryant
Title: Vice President and Chief Financial Officer

Name: G. Carl Everett, Jr.
Title: Senior Vice President, General Manager, Desktop Products Group

Name: F. Thomas Dunlap, Jr.
Title: Vice President, General Counsel and Secretary

Name: Patrick P. Gelsinger
Title: Vice President, General Manager, Desktop Products Group
Address: 5200 N.E. Elam Young Parkway, Hillsboro, OR 97124-6497

Name: John H. F. Miner
Title: Vice President, General Manager, Enterprise Server Group
Address: 5200 N.E. Elam Young Parkway, Hillsboro, OR 97124-6497

Name: Stephen P. Nachtsheim
Title: Vice President; General Manager, Mobile/Handheld Products Group

Name: Ronald J. Smith
Title: Vice President, General Manager, Computing Enhancement Group

EXHIBIT INDEX

Exhibit No.	Document	Sequentially Numbered Page
Exhibit 1	Standard Microsystems Corporation Common Stock and Warrant Purchase Agreement, dated March 18, 1997, between Standard Microsystems Corporation and Intel Corporation.	1.1
Exhibit 2	Warrant to Purchase Shares of Common Stock of Standard Microsystems Corporation, dated March 18, 1997.	2.1
Exhibit 3	Standard Microsystems Corporation Investor Rights Agreement, dated March 18, 1997, between Standard	3.1

	Microsystems Corporation and Intel Corporation.	
Exhibit 4	Press Release of Standard Microsystems Corporation, dated March 18, 1997.	4.1
Exhibit 5	Signature Authority	5.1

EXHIBIT 1

STANDARD MICROSYSTEMS CORPORATION

COMMON STOCK AND WARRANT
PURCHASE AGREEMENT

This Common Stock and Warrant Purchase Agreement (this "Agreement") is made and entered into as of March 18, 1997, by and between Standard Microsystems Corporation, a Delaware corporation (the "Company"), and Intel Corporation, a Delaware corporation (the "Investor").

R E C I T A L

WHEREAS, the Company desires to sell to the Investor, and the Investor desires to purchase from the Company, shares of the Company's Common Stock and a Warrant to purchase additional shares of the Company's Common Stock on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing recital, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. AGREEMENT TO PURCHASE AND SELL STOCK.

1.1 Authorization. The Company's Board of Directors has authorized the issuance, pursuant to the terms and conditions of this Agreement, of up to the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the Company's Common Stock and other voting securities outstanding immediately following the Closing (as defined below) minus 100 shares ("Purchased Shares") PLUS the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the Company's Common Stock and other voting securities outstanding immediately following the Closing ("Warrant Shares").

1.2 Agreement to Purchase and Sell Common Stock. The Company hereby agrees to sell to the Investor at the Closing, and the Investor agrees to purchase from the Company at the Closing, the Purchased Shares at a price per share equal to the Per Share Purchase Price.

1.3 Per Share Purchase Price. The "Per Share Purchase Price" shall be Nine Dollars and Fifty Cents ($9.50) (subject to adjustment for stock splits, stock dividends and similar events).

1.4 Agreement to Purchase and Sell Warrant. The Company hereby agrees to issue to the Investor at the Closing a Warrant (the "Warrant") to purchase the Warrant Shares in the form attached hereto as Exhibit A.

2 CLOSING

2.1 The Closing. The purchase and sale of the Purchased Shares and the Warrant will take place at the offices of Gibson, Dunn & Crutcher, 1 Montgomery Street, Telesis Tower, Suite 3100, San Francisco, California, at 10:00 a.m. California time, within three (3) business days after the conditions set forth in Articles 5 and 6 have been satisfied, or at such other time and place as the Company and the Investor mutually agree upon (which time and place are referred to in this Agreement as the "Closing"). At the Closing, the Company will deliver to the Investor the Warrant and a certificate representing the Purchased Shares, all against delivery to the Company by the Investor of the full purchase price of the Purchased Shares, paid by wire transfer of funds to the Company.

3 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Investor that the statements in this Section 3 are true and correct, except as set forth in the Disclosure Letter from the Company dated March 18, 1997 (the "Disclosure Letter").

3.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to (a) carry on its business as presently conducted, and (b) enter into this Agreement, the Investor Rights Agreement (as defined in Section 5.8) and the Warrant, and to consummate the transactions contemplated hereby and thereby. The Company is qualified to do business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means a material adverse effect on, or a material adverse change in, or a group of such effects on or changes in, the business, operations, financial condition, results of operations, prospects, assets or liabilities of the Company.

3.2 Capitalization. As of the date of this Agreement the capitalization of the Company is as follows:

(a) Preferred Stock. A total of 1,000,000 authorized shares of Preferred Stock, $0.10 par value per share (the "Preferred Stock"), none of which is issued or outstanding.

(b) Common Stock. A total of 30,000,000 authorized shares of Common Stock, $0.10 par value per share (the "Common Stock"), of which 13,883,457 shares are issued and outstanding. All of such outstanding shares are validly issued, fully paid and non-assessable. No such outstanding shares were issued in violation of any preemptive right.

(c) Options, Warrants, Reserved Shares. Except as set forth in the Disclosure Letter, there are not outstanding any options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of any shares of its capital stock or any securities convertible into or ultimately exchangeable or exercisable for any shares of the Company's capital stock. Except for any stock repurchase rights of the Company under the Plans, no shares of the Company's outstanding capital stock, or stock issuable upon exercise, conversion or exchange of any outstanding options, warrants or rights, or other stock issuable by the Company, are subject to any rights of first refusal or other rights to purchase such stock (whether in favor of the Company or any other person), pursuant to any agreement, commitment or other obligation of the Company.

3.3 Subsidiaries. The Company does not presently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association or other entity.

3.4 Due Authorization. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution, delivery of, and the performance of all obligations of the Company under, this Agreement, the Investor Rights Agreement (as defined below), and the Warrant, and the authorization, issuance, reservation for issuance and delivery of all of the Purchased Shares being sold under this Agreement and of the Warrant Shares has been taken or will be taken prior to the Closing, and this Agreement constitutes, and the Investor Rights Agreement and the Warrant when executed, will constitute, valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies.

3.5 Valid Issuance of Stock.

(a) The Purchased Shares, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration provided for herein, will be duly and validly issued, fully paid and nonassessable. The Warrant Shares have been duly and validly reserved for issuance and, upon issuance, sale and delivery in accordance with the terms of the Warrant for the consideration provided for therein, will be duly and validly issued, fully paid and nonassessable.

(b) Assuming the correctness of the representations made by the Investor in Section 4 hereof, the Purchased Shares, the Warrant and (assuming no change in applicable law and no unlawful distribution of Purchased Shares or the Warrant by the Investor) the Warrant Shares will be issued in full compliance with the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "1933 Act"), or in compliance with applicable exemptions therefrom, and the registration and qualification requirements of all applicable securities laws of the states of the United States.

3.6 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except for the filing of such qualifications or filings under the 1933 Act and the regulations thereunder and all applicable state securities laws as may be required in connection with the transactions contemplated by this Agreement. All such qualifications and filings will, in the case of qualifications, be effective on the Closing and will, in the case of filings, be made within the time prescribed by law.

3.7 Non-Contravention. The execution, delivery and performance of this Agreement, the Investor Rights Agreement and the Warrant by the Company, and the consummation by the Company of the transactions contemplated hereby and thereby, do not and will not (i) contravene or conflict with the Certificate of Incorporation or Bylaws of the Company; (ii) constitute a violation of any provision of any federal, state, local or foreign law binding upon or applicable to the Company; or (iii) constitute a default or require any consent under, give rise to any right of termination, cancellation or acceleration of, or to a loss of any benefit to which the Company is entitled under, or result in the creation or imposition of any lien, claim or encumbrance on any assets of the Company under, any contract to which the Company is a party or any permit, license or similar right relating to the Company or by which the Company may be bound or affected in such a manner as, together with all other such matters, would have Material Adverse Effect.

3.8 Litigation. There is no action, suit, proceeding, claim, arbitration or investigation ("Action") pending: (a) against the Company, its activities, properties or assets or, to the best of the Company's knowledge, against any officer, director or employee of the Company in connection with such officer's, director's or employee's relationship with, or actions taken on behalf of, the Company, (b) that seeks to prevent, enjoin, alter or delay the transactions contemplated by this Agreement, the Investor Rights Agreement or the Warrant. There is no Action pending or, to the best of the Company's knowledge, threatened, or any basis therefor, relating to the current or prior employment of any of the Company's current or former employees or consultants, their use in connection with the Company's business of any information, technology or techniques allegedly proprietary to any of their former employers, clients or other parties, or their obligations under any agreements with prior employers, clients or other parties. The Company is not a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. No Action by the Company is currently pending nor does the Company intend to initiate any Action which is reasonably likely to have a Material Adverse Effect.

3.9 Invention Assignment and Confidentiality Agreement. To the best knowledge of the Company, each employee and consultant or independent contractor of the Company whose duties include the development of products or Intellectual Property (as defined below), and each former employee and consultant or independent contractor whose duties included the development of products or Intellectual Property, has entered into and executed an invention assignment and confidentiality agreement in customary form or an employment or consulting agreement containing substantially similar terms.

3.10 Intellectual Property.

(a) Ownership or Right to Use. The Company has sole title to and owns, or is licensed or otherwise possesses legally enforceable rights to use, all patents or patent applications, software, know-how, registered or unregistered trademarks and service marks and any applications therefor, registered or unregistered copyrights, trade names, and any applications therefor, trade secrets or other confidential or proprietary information ("Intellectual Property") necessary to enable the Company to carry on its business as currently conducted, except where any deficiency therein would not have a Material Adverse Effect. The Company represents and warrants that it will, where the Company, in the exercise of reasonable judgment deems it appropriate, use reasonable business efforts to seek copyright and patent registration, and other appropriate intellectual property protection, for Intellectual Property of the Company.

(b) Licenses; Other Agreements. The Company is not currently subject to any exclusive licenses (whether such exclusivity is temporary or permanent) to any material portion of the Intellectual Property of the Company. To the best of the Company's knowledge, there are not outstanding any licenses or agreements of any kind relating to any Intellectual Property of the Company, except for agreements with OEM's and other customers of the Company entered into in the ordinary course of the Company's business. The Company is not obligated to pay any royalties or other payments to third parties with respect to the marketing, sale, distribution, manufacture, license or use of any Intellectual Property, except as the Company may be so obligated in the ordinary course of its business or as disclosed in the Company's SEC Documents (as defined below).

(c) No Infringement. The Company has not violated or infringed and is not currently violating or infringing, and the Company has not received any communications alleging that the Company (or any of its employees or consultants) has violated or infringed, any Intellectual Property of any other person or entity, to the extent that any such violation or infringement, either individually or together with all other such violations and infringements, would have a Material Adverse Effect.

(d) Employees and Consultants. To the best of the Company's knowledge, no employee of or consultant to the Company is in default under any term of any employment contract, agreement or arrangement relating to Intellectual Property of the Company or any non-competition arrangement, other contract, or any restrictive covenant relating to the Intellectual Property of the Company. The Intellectual Property of the Company (other than any Intellectual Property duly acquired or licensed from third parties) was developed entirely by the employees of or consultants to the Company during the time they were employed or retained by the Company, and to the best knowledge of the Company, at no time during conception or reduction to practice of such Intellectual Property of the Company were any such employees or consultants operating under any grant from a government entity or agency or subject to any employment agreement or invention assignment or non-disclosure agreement or any other obligation with a third party that would materially and adversely affect the Company's rights in the Intellectual Property of the Company. Such Intellectual Property of the Company does not, to the best knowledge of the Company, include any invention or other intellectual property of such employees or consultants made prior to the time such employees or consultants were employed or retained by the Company nor any intellectual property of any previous employer of such employees or consultants nor the intellectual property of any other person or entity.

3.11 Compliance with Law and Charter Documents. The Company is not in violation or default of any provisions of its Certificate of Incorporation or Bylaws, both as amended, and except for any violations that would not, either individually or in the aggregate, have a Material Adverse Effect. The Company has complied and is in compliance with all applicable statutes, laws, and regulations and executive orders of the United States of America and all states, foreign countries and other governmental bodies and agencies having jurisdiction over the Company's business or properties.

3.12 Registration Rights. Except as provided in the Investor Rights Agreement effective upon the Closing, the Company is not currently subject to any grant or agreement to grant to any person or entity any rights (including piggyback registration rights) to have any securities of the Company registered with the United States Securities and Exchange Commission ("SEC") or any other governmental authority.

3.13 Title to Property and Assets. The properties and assets of the Company are owned by the Company free and clear of all mortgages, deeds of trust, liens, charges, encumbrances and security interests except for statutory liens for the payment of current taxes that are not yet delinquent and liens, encumbrances and security interests that arise in the ordinary course of business and do not affect material properties and assets of the Company. With respect to the property and assets it leases, the

Company is in compliance with such leases in all material respects.

3.14 SEC Documents.

(a) The Company has furnished to the Investor prior to the date hereof copies of its Annual Report on Form 10-K for the fiscal year ended February 29, 1996 ("Form 10-K"), its Quarterly Reports or Form 10-Q for the fiscal quarters ended August 31, 1996 and November 30, 1996 (the "Form 10-Q's"), and all other registration statements, reports and proxy statements filed by the Company with the Securities and Exchange Commission ("Commission") on or after February 29, 1996 (the Form 10-K, the 10-Q's and such registration statements, reports and proxy statements, are collectively referred to herein as the "SEC Documents"). Each of the SEC Documents, as of the respective date thereof, did not, and each of the registration statements, reports and proxy statements filed by the Company with the Commission after the date hereof and prior to the Closing will not, as of the date thereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company is not a party to any material contract, agreement or other arrangement which was required to have been filed as an exhibit to the SEC Documents that is not so filed.

(b) The Company has provided the Investor with its audited financial statements (the "Audited Financial Statements") for the fiscal year ended February 29, 1996, and its unaudited financial statements for the 9-month period ended November 30, 1996 (the "Balance Sheet Date"). Since the Balance Sheet Date, the Company has duly filed with the Commission all registration statements, reports and proxy statements required to be filed by it

under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the 1933 Act. The audited and unaudited consolidated financial statements of the Company included in the SEC Documents filed prior to the date hereof fairly present, in conformity with generally accepted accounting principles ("GAAP") (except as permitted by Form 10-Q) applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of the Company and its consolidated subsidiaries as at the date thereof and the consolidated results of their operations and cash flows for the periods then ended (subject to normal year and audit adjustments in the case of unaudited interim financial statements).

(c) Except as and to the extent reflected or reserved against in the Company's Audited Financial Statements (including the notes thereto), the Company has no material liabilities (whether accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined or determinable) other than: (i) liabilities incurred in the ordinary course of business since the Balance Sheet Date that are consistent with the Company's past practices, (ii) liabilities with respect to agreements to which the Investor is a party, and (iii) other Liabilities that either individually or in the aggregate, would not result in a Material Adverse Effect.

3.15 Absence of Certain Changes Since Balance Sheet Date. Since the Balance Sheet Date, the business and operations of the Company have been conducted in the ordinary course consistent with past practice, and there has not been:

(a) any declaration, setting aside or payment of any dividend or other distribution of the assets of the Company with respect to any shares of capital stock of the Company, or any repurchase, redemption or other acquisition by the Company or any subsidiary of the Company of any outstanding shares of the Company's capital stock;

(b) any damage, destruction or loss, whether or not covered by insurance, except for such occurrences that have not resulted, and are not expected to result, in a Material Adverse Effect;

(c) any waiver by the Company of a valuable right or of a material debt owed to it, except for such waivers that have not resulted, and are not expected to result, in a Material Adverse Effect;

(d) any material change or amendment to, or any waiver of any material rights under, a material contract or arrangement by which the Company or any of its assets or properties is bound or subject, except for changes, amendments, or waivers that are expressly provided for or disclosed in this Agreement or that have not resulted, and are not expected to result, in a Material Adverse Effect;

(e) any change by the Company in its accounting principles, methods or practices or in the manner it keeps its accounting books and records, except any such change required by a change in GAAP; and

(f) any other event or condition of any character, except for such events and conditions that have not resulted, and are not expected to result, either individually or collectively, in a Material Adverse Effect.

3.16 Employee Benefits.

(a) As used in this Section 3.16, the following terms have the following meanings: (1) "Benefit Arrangement" means any material benefit arrangement that is not an Employee Benefit Plan, including (i) each material employment or consulting agreement, (ii) each material arrangement providing for insurance coverage or workers' compensation benefits, (iii) each material bonus or deferred bonus arrangement, (iv) each material arrangement providing any termination allowance, severance or similar benefits, (v) each equity compensation plan, (vi) each deferred compensation plan and (vii) each material compensation policy and practice maintained by the Company covering the employees, former employees, officers, former officers, directors and former directors of the Company, and the beneficiaries of any of them; (2) "Benefit Plan" means an Employee Benefit Plan or Benefit Arrangement; (3)"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, as set forth in Section 4980B of the Code and Part 6 of Title I of ERISA; (4) "Employee Benefit Plan" means any employee benefit plan, as defined in Section 3(3) of ERISA, that is sponsored or contributed to by the Company or any ERISA Affiliate covering employees or former employees of the Company; (5) "Employee Pension Benefit Plan" means any employee pension benefit plan, as defined in Section 3(2) of ERISA, that is regulated under Title IV of ERISA, other than a Multiemployer Plan; (6) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended; (7) "ERISA Affiliate" of the Company means any other person or entity that, together with the Company as of the relevant measuring date under ERISA, was or is required to be treated as a single employer under Section 414 of the Code; (8)"Group Health Plan" means any group health plan, as defined in Section 5000(b)(l) of the Code; (9) "Multiemployer Plan" means a multiemployer plan, as defined in Section 3(37) and 4001(a)(3) of ERISA; and (10) "Prohibited Transaction" means a transaction that is prohibited under Section 4975 of the Code or Section 406 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA, respectively.

(b) Neither the Company nor any of its ERISA Affiliates sponsors or has sponsored, maintained, contributed to, or incurred an obligation to contribute to, any Employee Pension Benefit Plan (whether or not terminated). Neither the Company nor any of its ERISA Affiliates sponsors or has sponsored, maintained, contributed to, or incurred an obligation to contribute to, any Multiemployer Plan (whether or not terminated).

(c) No Employee Benefit Plan has participated in, engaged in or been a party to any Prohibited Transaction, and neither the Company nor any of its ERISA Affiliates has had asserted against it any claim for any material tax or material penalty imposed under ERISA or the Code with respect to any Employee Benefit Plan nor, to the best of the Company's knowledge, is there a basis for any such claim. To the best of the Company's knowledge, no officer, director or employee of the Company has committed a material breach of any

responsibility or obligation imposed upon fiduciaries by Title I of ERISA with respect to any Employee Benefit Plan, with respect to which breach the Company is directly or indirectly liable.

(d) Other than routine claims for benefits, there is no material claim pending involving any Benefit Plan by any Person against such plan or the Company or any ERISA Affiliate, nor, to the best of the Company's knowledge, is any such material claim threatened. There is no pending, or to the best of the Company's knowledge, threatened Proceeding involving any Employee Benefit Plan before the IRS, the United States Department of Labor or any other governmental authority.

(e) No material violation of any reporting or disclosure requirement imposed by ERISA or the Code exists with respect to any Employee Benefit Plan.

(f) Each Benefit Plan has been maintained in all material respects, by its terms and in operation, in accordance with ERISA (if applicable), the Code and all other applicable federal, state, local and foreign laws. The Company and its ERISA Affiliates have made full and timely payment of all amounts required to be (i) contributed under the terms of each Benefit Plan and such laws, or (ii) required to be paid as expenses under such Benefit Plan. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code either has received a favorable determination letter with respect to such qualified status from the IRS or has filed a request for such a determination letter with the IRS within the remedial amendment period such that such determination of qualified status will apply from and after the effective date of any such Employee Benefit Plan.

(g) With respect to any Group Health Plans maintained by the Company or its ERISA Affiliates, whether or not for the benefit of the Company's employees, the Company and its ERISA Affiliates have complied in all material respects with the provisions of COBRA.

(h) Except pursuant to the provisions of COBRA, neither the Company nor any ERISA Affiliate maintains any Employee Benefit Plan that provides benefits described in Section 3(1) of ERISA for any former employees or retirees, or the beneficiaries of any of them, of the Company or its ERISA Affiliates.

3.17 Tax Matters.

(a) All deficiencies asserted or assessments made as a result of any examinations by the Internal Revenue Service or any state, local or foreign taxing authority have been fully paid, or are fully reflected as a liability in the Audited Financial Statements. The Company has filed on a timely basis all Tax Returns required to have been filed by it and has paid on a timely basis all Taxes required to be shown thereon as due. All such Tax Returns are true, complete and correct in all material respects. The provisions for taxes in the Audited Financial Statements have been determined in accordance with GAAP. No liability for Taxes has been incurred by the Company since the Balance Sheet Date other than in the ordinary course of its business. No director, officer or employee of the Company having responsibility for Tax matters has reason to believe that any Taxing authority has valid grounds to claim or assess any

additional Tax with respect to the Company in excess of the amounts shown in the Audited Financial Statements for the periods covered thereby. As used in this Agreement, (1) "Taxes" means (x) all federal, state, local and other net income, gross income, gross receipts, sales use, ad valorem, value added, intangible, unitary, capital gain, transfer, franchise, profits, license, lease, service, service use, withholding, backup withholding, payroll, employment, estimated, excise, severance, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (y) any liability for payment of amounts described in clause (x) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law and (z) any liability for the payment of amounts described in clauses (x) or (y) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other person for Taxes; and the term "Tax" means any one of the foregoing Taxes; and (2) "Tax Returns" means all returns, reports, forms or other information required to be filed with respect to any Tax.

(b) With respect to all amounts in respect of Taxes imposed upon the Company, or for which the Company is or could be liable, whether to taxing authorities (as, for example, under law) or to other persons or entities (as, for example, under tax allocation agreements), and with respect to all taxable periods or portions of periods ending on or before the Closing Date, all applicable Tax laws and agreements have been fully complied with, and all such amounts required to be paid by the Company to taxing authorities or others have been paid.

(c) The Company has not received notice that the Internal Revenue Service or any other taxing authority has asserted against the Company any deficiency or claim for additional Taxes in connection with any Tax Return, and no issues have been raised (and are currently pending) by any taxing authority in connection with any Tax Return. The Company has not received notice that it is or may be subject to Tax in a jurisdiction in which it has not filed or does not currently file Tax Returns.

3.18 Labor Agreements and Actions.

(a) No collective bargaining agreement exists that is binding on the Company, and no petition has been filed or proceedings instituted by an employee or group of employees with any labor relations board seeking recognition of a bargaining representative. To the best of the Company's knowledge, no organizational effort is currently being made or threatened by or on behalf of any labor union to organize any employees of the Company.

(b) There is no labor strike, dispute, slow down or stoppage pending or threatened against or directly affecting the Company. No grievance or arbitration proceeding arising out of or under any collective bargaining agreement is pending, and no claims therefor exist. The Company has not received any notice, and has no knowledge of any threatened labor or civil rights dispute, controversy or grievance or any other unfair labor practice proceeding or

breach of contact claim or action with respect to claims of, or obligations to, any employee or group of employees of the Company.

(c) All individuals who are performing or have performed services for the Company and are or were classified by the Company as "independent contractors" qualify for such classification under Section 530 of the Revenue Act of 1978 or Section 1706 of the Tax Reform Act of 1986, as applicable, except for such instances which would not, in the aggregate, have a Material Adverse Effect.

3.19 Real Property Holding Corporation Status. Since its inception the Company has not been a "United States real property holding corporation", as defined in Section 897(c)(2) of the U.S. Internal Revenue Code of 1986, as amended, and in Section 1.897-2(b) of the Treasury Regulations issued thereunder (the "Regulations"), and the Company has filed with the Internal Revenue Service all statements, if any, with its United States income tax returns which are required under Section 1.897-2(h) of the Regulations.

3.20 Full Disclosure. The information contained in this Agreement and the Disclosure Letter with respect to the business, operations, assets, results of operations and financial condition of the Company, and the transactions contemplated by this Agreement, the Investor Rights Agreement and the Warrant, are true and complete in all material respects and do not omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS, WARRANTIES AND CERTAIN AGREEMENTS OF THE INVESTOR. The Investor hereby represents and warrants to the Company, and agrees that:

4.1 Authorization. This Agreement and the Investor Rights Agreement have been duly authorized by all necessary corporate action on the part of the Investor. This Agreement and the Investor Rights Agreement constitute the Investor's valid and legally binding obligations, enforceable in accordance with their respective terms, except as may be limited by (a) applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights generally and (b) the effect of rules of law governing the availability of equitable remedies. The Investor has full corporate power and authority to enter into this

Agreement and the Investor Rights Agreement

4.2 Purchase for Own Account. The Purchased Shares and the Warrant are being acquired for investment for the Investors own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the 1933 Act, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor also represents that it has not been formed for the specific purpose of acquiring the Purchased Shares and the Warrant.

4.3 Disclosure of Information. The Investor has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the Purchased Shares and the Warrant to be purchased by the

Investor under this Agreement. The Investor further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Purchased Shares, the Warrant and the Warrant Shares and to obtain additional information necessary to verify any information furnished to the investor or to which the Investor had access. The foregoing, however, does not in any way limit or modify the representations and warranties made by the Company in Article 3.

4.4 Investment Experience. The Investor understands that the purchase of the Purchased Shares and the Warrant involves substantial risk. The Investor has experience as an investor in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Purchased Shares and the Warrant and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Purchased Shares and the Warrant and protecting its own interests in connection with this investment.

4.5 Accredited Investor Status. The Investor is an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act.

4.6 Restricted Securities. The Investor understands that the Purchased Shares and the Warrant to be purchased by the Investor hereunder, and any Warrant Shares to be purchased by the Investor upon exercise of the Warrant, are characterized as "restricted securities" under the 1933 Act inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under the 1933 Act and applicable regulations thereunder such securities may be resold without registration under the 1933 Act only in certain limited circumstances. The Investor is familiar with Rule 144 of the SEC, as presently in effect, and understands the resale limitations imposed thereby and by the 1933 Act. The Investor understands that the Company is under no obligation to register any of the securities sold hereunder except as provided in the Investor Rights Agreement.

4.7 Further Limitations on Disposition. Without in any way limiting the representations set forth above, the Investor further agrees not to make any disposition of all or any portion of the Purchased Shares, the Warrant or the Warrant Shares unless and until:

(a) there is then in effect a registration statement under the 1933 Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) the Investor has notified the Company of the proposed disposition and has furnished the Company with a statement of the circumstances surrounding the proposed disposition, and the Investor has furnished the Company, at the expense of the Investor or its transferee, with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such securities under the 1933 Act.

Notwithstanding the provisions of paragraphs (a) and (b) of this Section 4.7, no such registration statement or opinion of counsel will be required for any transfer of any Purchased Shares, the Warrant, or any Warrant Shares in compliance with SEC Rule 144, Rule 144A or Rule 145(d), or any successor rule of any of the foregoing, or if such transfer otherwise is exempt, in the view of the Company's legal counsel, from the registration requirements of the 1933 Act.

4.8 Legends. Certificates evidencing the Purchased Shares and the Warrant Shares will bear each of the legends set forth below and the Warrant will bear the legends set forth in (a) and (c) below:

(a) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(b) THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS SPECIFIED IN A CERTAIN INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF SUCH SHARES DATED AS OF MARCH 18, 1997, A COPY OF WHICH IS AVAILABLE FOR EXAMINATION AT THE ISSUER'S PRINCIPAL OFFICE.

(c) Any Legends required by any applicable state securities laws.

The Legend set forth in Section 4.8(a) hereof will be removed by the Company from any certificate evidencing Purchased Shares or the Warrant Shares upon delivery to the Company of an opinion by counsel, reasonably satisfactory to the Company, that a registration statement under the 1933 Act is at that time in effect with respect to the legended security or that such security can be transferred in a public sale without such a registration statement being in effect and that such transfer will not jeopardize the exemption or exemptions from registration pursuant to which the Company issued the Purchased Shares, the Warrant or the Warrant Shares.

5. CONDITIONS TO THE INVESTOR'S OBLIGATIONS AT CLOSING. The obligations of the Investor under Sections 1 and 2 of this Agreement are subject to the fulfillment or waiver, on or before the Closing (defined in Section 2.1), of each of the following conditions:

5.1 Representations and Warranties True. Each of the representations and warranties of the Company contained in Section 3 will be true and correct on and as of the date hereof and on and as of the date of the Closing, except as set forth in the Disclosure Letter, with the same effect as though such representations and warranties had been made as of the Closing.

5.2 Performance. The Company will have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and will have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

5.3 Compliance Certificate. The Company will have delivered to the Investor at the Closing a certificate signed on its behalf by its Chief Executive Officer or Chief Financial Officer certifying that the conditions specified in Sections 5.1 and 5.2 hereof have been fulfilled.

5.4 Securities Exemptions. The offer and sale of the Purchased Shares and the Warrant to the Investor pursuant to this Agreement will be exempt from the registration requirements of the 1933 Act and the registration and/or qualification requirements of all applicable state securities laws.

5.5 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto will be reasonably satisfactory in form and substance to the Investor, and the Investor will have received all such counterpart originals and certified or other copies of such documents as it may reasonably request. Such documents shall include (but not be limited to) the following:

(a) Certified Charter Documents. A copy of (i) the Certificate of Incorporation certified as of a recent date by the Secretary of State of Delaware as a complete and correct copy thereof, and (ii) the Bylaws of the Company (as amended through the date of the Closing) certified by the Secretary of the Company as true and correct copies thereof as of the Closing.

(b) Board Resolutions. A copy, certified by the Secretary of the Company, of the resolutions of the Board of Directors of the Company providing for the approval of this Agreement and the Investor Rights Agreement and the issuance of the Purchased Shares and the Warrant and the other matters contemplated hereby.

5.6 Opinion of Company Counsel. The Investor will have received an opinion on behalf of the Company, dated as of the date of the Closing, from Loeb & Loeb L.L.P., in form and substance reasonably satisfactory to the Investor.

5.7 Warrant and Investor Rights Agreement. The Company will have issued the Warrant and will have executed and delivered the Investor Rights Agreement substantially in the form attached to this Agreement as Exhibit B (the "Investor Rights Agreement").

5.8 No Material Adverse Effect. Between the date hereof and the Closing, there shall not have occurred any Material Adverse Effect.

6. CONDITIONS TO THE COMPANY'S OBLIGATIONS AT CLOSING. The obligations of the Company to the Investor under this Agreement are subject to the fulfillment or waiver on or before the Closing (defined in Section 2.1), of each of the following conditions:

6.1 Representations and Warranties True. The representations and warranties of the Investor contained in Section 4 will be true and correct on and as of the date hereof and on and as of the date of the Closing with the same effect as though such representations and warranties had been made as of the Closing.

6.2 Payment of Purchase Price. The Investor will have delivered to the Company the full purchase price of the Purchased Shares as specified in Section 1.2.

6.3 Securities Exemptions. The offer and sale of the Purchased Shares and the Warrant to the Investor pursuant to this Agreement will be exempt from the registration requirements of the 1933 Act and the registration and/or qualification requirements of all applicable state securities laws.

6.4 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto will be reasonably satisfactory in form and substance to the Company and to the Company's legal counsel, and the Company will have received all such counterpart originals and certified or other copies of such documents as it may reasonably request.

6.5 Investor Rights Agreement. The Investor will have executed and delivered the Investor Rights Agreement.

7. INDEMNIFICATION.

7.1 Agreement to Indemnify.

(a) Company Indemnity. The Investor, its Affiliates and Associates, and each officer, director, shareholder, employer, representative and agent of any of the foregoing (collectively, the "Investor Indemnitees") shall each be indemnified and held harmless to the extent set forth in this Section 7 by the Company with respect to any and all Damages (as defined below) incurred by any Investor Indemnitee as a proximate result of any inaccuracy or misrepresentation in, or breach of, any representation, warranty, covenant or agreement made by the Company in this Agreement, the Investor Rights Agreement or the Warrant (including any Exhibits and Schedules hereto).

(b) Investor Indemnity. The Company, its respective Affiliates and Associates, and each officer, director, shareholder, employer, representative and agent of any of the foregoing (collectively, the "Company Indemnitees") shall each be indemnified and held harmless to the extent set forth in this

Section 7, by the Investor, in respect of any and all Damages incurred by any Company Indemnitee as a result of any inaccuracy or misrepresentation in, or breach of, any representation, warranty, covenant or agreement made by the Investor in this Agreement or the Investor Rights Agreement.

(c) Equitable Relief. Nothing set forth in this Section 7 shall be deemed to prohibit or limit any Investor Indemnitee's or Company Indemnitee's right at any time before, on or after the Closing Date, to seek injunctive or other equitable relief for the failure of any Indemnifying Party to perform or comply with any covenant or agreement contained herein.

7.2 Survival. All representations and warranties of the Investor and the Company contained herein or in the Investor Rights Agreement or the Warrant, and all claims of any Investor Indemnitee or Company Indemnitee in respect of any inaccuracy or misrepresentation in or breach thereof, shall survive the Closing until the later of (i) the date of termination of the Right of Participation under the Investor Rights Agreement, and (ii) the third anniversary of the date of this Agreement, regardless of whether the applicable statute of limitations, including extensions thereof, may expire. All covenants and agreements of the Investor and the Company contained herein or in the Investor Rights Agreement or the Warrant shall survive the Closing in perpetuity (except to the extent any such covenant or agreement shall expire by its terms). All claims of any Investor Indemnitee or Company Indemnitee in respect of any breach of such covenants or agreements shall survive the Closing until the expiration of two years following the non-breaching party's obtaining actual knowledge of such breach.

7.3 Claims for Indemnification. If any Investor Indemnitee or Company Indemnitee (an "Indemnitee") shall believe that such Indemnitee is entitled to indemnification pursuant to this Section 7 in respect of any Damages, such Indemnitee shall give the appropriate Indemnifying Party (which for purposes hereof, in the case of an Investor Indemnitee, means the Company, and in the case of a Company Indemnitee, means the Investor) prompt written notice thereof. Any such notice shall set forth in reasonable detail and to the extent then known the basis for such claim for indemnification. The failure of such Indemnitee to give notice of any claim for indemnification promptly shall not adversely affect such Indemnitee's right to indemnity hereunder except to the extent that such failure adversely affects the right of the Indemnifying Party to assert any reasonable defense to such claim. Each such claim for indemnity shall expressly state that the Indemnifying Party shall have only the twenty (20) business day period referred to in the next sentence to dispute or deny such claim. The Indemnifying Party shall have twenty (20) business days following its receipt of such notice either (a) to acquiesce in such claim by giving such Indemnitee written notice of such acquiescence or (b) to object to the claim by giving such Indemnitee written notice of the objection. If Indemnifying Party does not object thereto within such twenty (20) business day period, such Indemnitee shall be entitled to be indemnified for all Damages reasonably and proximately incurred by such Indemnitee in respect of such claim. If the Indemnifying Party objects to such claim in a timely manner, the senior management of the Company and the Investor shall meet to attempt to resolve such dispute. If the dispute cannot be resolved by the senior management either party may make a written demand for formal dispute resolution and specify therein the scope of the dispute. Within thirty days after such written notification, the parties agree to meet for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty days after the one day mediation, either party may begin litigation proceedings. Nothing in this section shall be deemed to require arbitration.

7.4 Defense of Claims. In connection with any claim that may give rise to indemnity under this Section 7 resulting from or arising out of any claim or Proceeding against an Indemnitee by a person or entity that is not a party hereto, the Indemnifying Party may but shall not be obligated to (unless such Indemnitee elects not to seek indemnity hereunder for such claim), upon written notice to the relevant Indemnitee, assume the defense of any such claim or proceeding if the Indemnifying Party with respect to such claim or Proceeding acknowledges to the Indemnitee the Indemnitee's right to indemnity pursuant hereto to the extent provided herein (as such claim may have been modified through written agreement of the parties or arbitration hereunder) and provides assurances, satisfactory to such Indemnitee, that the Indemnifying Party will be financially able to satisfy such claim to the extent provided herein if such claim or Proceeding is decided adversely; provided, however, that nothing set forth herein shall be deemed to require the Indemnifying Party to waive any crossclaims or counterclaims the Indemnifying Party may have against the Indemnified Party for damages. The Indemnified Party shall be entitled to retain separate counsel, reasonably acceptable to the Indemnifying Party, if the Indemnified Counsel shall determine, upon the written advice of counsel, that an actual or potential conflict of interest exists between the Indemnifying Party and the Indemnified Party in connection with such Proceeding. The Indemnifying Party shall be obligated to pay the reasonable fees and expenses of such separate counsel to the extent the Indemnified Party is entitled to indemnification by the Indemnifying Party with respect to such claim or Proceeding under this Section 7.4. If the Indemnifying Party assumes the defense of any such claim or Proceeding, the Indemnifying Party shall select counsel reasonably acceptable to such Indemnitee to conduct the defense of such claim or Proceeding, shall take all steps necessary in the defense or settlement thereof and shall at all times diligently and promptly pursue the resolution thereof. If the Indemnifying Party shall have assumed the defense of any claim or Proceeding in accordance with this Section 7.4, the Indemnifying Party shall be authorized to consent to a settlement of, or the entry of any judgment arising from, any such claim or Proceeding, with the prior written consent of such Indemnitee, not to be unreasonably withheld; provided, however, that the Indemnifying Party shall pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness thereof; provided, further, that the Indemnifying Party shall not be authorized to encumber any of the assets of any Indemnitee or to agree to any restriction that would apply to any Indemnitee or to its conduct of business; and provided, further, that a condition to any such settlement shall be a complete release of such Indemnitee and its Affiliates, directors, officers, employees and agents with respect to such claim, including any reasonably foreseeable collateral consequences thereof. Such Indemnitee shall be entitled to participate in (but not control) the defense of any such action, with its own counsel and at its own expense. Each Indemnitee shall, and shall cause each of its Affiliates, directors, officers, employees and agents to, cooperate fully with the Indemnifying Party in the defense of any claim or Proceeding being defended by the Indemnifying Party pursuant to this Section 7.4. If the Indemnifying Party does not assume the defense of any claim or Proceeding resulting therefrom in accordance with the terms of this Section 7.4, such Indemnitee may defend against such claim or Proceeding in such manner as it may deem appropriate, including settling such claim or proceeding after giving notice of the same to the Indemnifying Party, on such terms as such Indemnitee may deem appropriate. If any Indemnifying Party seeks to question the manner in which such Indemnitee defended such claim or Proceeding or the amount of or nature of any such settlement, such Indemnifying Party shall have the burden to prove by a preponderance of the evidence that such Indemnitee did not defend such claim or Proceeding in a reasonably prudent manner.

7.5 Certain Definitions. As used in this Section 7, (a) "Affiliate" means, with respect to any person or entity, any person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with such other person or entity; (b) "Associate" means, when used to indicate a relationship with any person or entity, (1) any other person or entity of which such first person or entity is an officer, director or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, membership interests or other comparable ownership interests issued by such other person or entity, (2) any trust or other estate in which such first person or entity has a ten percent (10%) or more beneficial interest or as to which such first person or entity serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such first person or entity who has the same home as such first person or entity or who is a director or officer of such first person or entity; (c) "Damages" means all demands, claims, actions or causes of action, assessments, losses, damages, costs, expenses, liabilities, judgments, awards, fines, response costs, sanctions, taxes, penalties, charges and amounts paid in settlement, including (1) interest on cash disbursements in respect of any of the foregoing at the prime rate of Bank of America, NT & SA, as in effect from time to time, compounded quarterly, from the date each such cash disbursement is made until the date the party incurring such cash disbursement shall have been indemnified in respect thereof, and (2) reasonable out-of-pocket costs, fees and expenses (including reasonable costs, fees and expenses of attorneys, accountants and other agents of, or other parties retained by, such party), and (d) "Proceeding" means any action, suit, hearing, arbitration, audit, proceeding (public or private) or investigation that is brought or initiated by or against any federal, state, local or foreign governmental authority or any other person or entity.

8. MISCELLANEOUS.

8.1 Successors and Assigns. The terms and conditions of this Agreement will inure to the benefit of and be binding upon the respective successors and assigns of the parties.

8.2 Governing Law. This Agreement will be governed by and construed under the internal laws of the State of Delaware, without reference to principles of conflict of laws or choice of laws.

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

8.4 Headings. The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs, exhibits and schedules will, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

8.5 Notices. Any notice required or permitted under this Agreement will be given in writing, shall be effective when received, and shall in any event be deemed received and effectively given upon personal delivery to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid,

or one (1) business day after deposit with a nationally recognized courier service such as Fedex for next business day delivery under circumstances in which such service guarantees next business day delivery, or one (1) business day after facsimile with copy delivered by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof or at such other address as the Investor or the Company may designate by giving at least ten (10) days advance written notice pursuant to this Section 8.5.

8.6 No Finder's Fees. Each party represents that it neither is nor will be obligated for any finder's or broker's fee or commission in connection with this transaction. The Investor will indemnify and hold harmless the Company from any liability for any commission or compensation in the nature of a finders' or broker's fee for which the Investor or any of its officers, partners, employees or consultants, or representatives is responsible. The Company will indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a finder's or broker's fee for which the Company or any of its officers, employees or consultants or representatives is responsible.

8.7 Amendments and Waivers. This Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of Purchased Shares and/or Warrant Shares representing at least a majority of the total aggregate number of Purchased Shares and Warrant Shares then outstanding (excluding any of such shares that have been sold to the public pursuant to SEC Rule 144 or otherwise). Any amendment or waiver effected in accordance with this Section 8.7 will be binding upon the Investor, the Company and their respective successors and assigns.

8.8 Severability. If any provision of this Agreement is held to be unenforceable under applicable law, such provision will be excluded from this Agreement and the balance of the Agreement will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

8.9 Entire Agreement. This Agreement, together with all Exhibits and schedules hereto, constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings duties or obligations between the parties with respect to the subject matter hereof.

8.10 Further Assurances. From and after the date of this Agreement upon the request of the Investor or the Company, the Company and the Investor will execute and deliver such instruments, documents or other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

8.11 Meaning of Include and Including. Whenever in this Agreement the word "include" or "including" is used, it shall be deemed to mean "include, without limitation" or "including, without limitation," as the case may be, and the language following "include" or "including" shall not be deemed to set forth an exhaustive list.

8.12 Fees, Costs and Expenses. All fees, costs and expenses (including attorneys' fees and expenses) incurred by either party hereto in connection with the preparation, negotiation and execution of this Agreement, the Investor Rights Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby (including the costs associated with any filings with, or compliance with any of the requirements of, any governmental authorities), shall be the sole and exclusive responsibility of such party.

[The remainder of this page is intentionally left blank.]

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

STANDARD MICROSYSTEMS CORPORATION	INTEL CORPORATION
By: ______________________	By: ______________________
Name: ____________________	Name: ____________________
Title: ___________________	Title: ___________________
Date signed: _____________	Date signed: _____________
Address: _________________ _________________ _________________	Address: _________________ _________________ _________________
Telephone No.: ___________	Telephone No.: ___________
Facsimile No.: ___________	Facsimile No.: ___________

[Signature Page to Common Stock and Warrant Purchase Agreement]

COMMON STOCK AND WARRANT PURCHASE AGREEMENT

LIST OF EXHIBITS

Exhibit A - Form of Warrant

Exhibit B - Form of Investor Rights Agreement

EXHIBIT 2

WARRANT TO PURCHASE SHARES
OF COMMON STOCK
OF
STANDARD MICROSYSTEMS CORPORATION
EXHIBIT A

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

Void after 5:00 p.m.,
Pacific Time
on March 18, 2000

WARRANT TO PURCHASE SHARES OF COMMON STOCK
OF
STANDARD MICROSYSTEMS CORPORATION

Initial Number of Shares:	1,542,606
Date of Grant:	March 18, 1997
Expiration Date:	March 18, 2000

THIS CERTIFIES THAT, for value received pursuant to that certain Common Stock and Warrant Purchase Agreement dated as of March 18, 1997 (the "Purchase Agreement"), Intel Corporation and any person to whom the interest in this Warrant is lawfully transferred pursuant to the terms and conditions set forth herein (the original holder hereof and such transferees are referred to hereinafter as the "Holder") is entitled to purchase, at any time and from time to time after the date hereof, up to the above number (as adjusted pursuant to Section 2 hereof) of fully paid and nonassessable shares of the Common Stock (the "Shares") of Standard Microsystems Corporation, a Delaware corporation (the "Company"), at the applicable Per Share Purchase Price as set forth in Section 1.1 hereof, subject to the provisions and upon the terms and conditions set forth herein.

This Warrant is subject to the following terms and conditions:

1. EXERCISE.

1.1 Per Share Purchase Price. The "Per Share Purchase Price" at which this Warrant may be exercised shall be as set forth in the following table, subject to adjustment as provided in Section 2 hereof:

Date of Exercise	Price
From March 18, 1997 through March 18, 1998	$10.45
From March 18, 1998 through March 18, 1999	$11.40
From March 18, 1999 through March 18, 2000	$12.35

Notwithstanding the foregoing and subject to adjustment as provided in Section 2 hereof, the Per Share Purchase Price at which 309,809 Shares of this Warrant may be exercised shall be not less than the book value per share as of February 28, 1997 (determined from the Company's balance sheet as of February 28, 1997 as contained in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1997).

1.2 Expiration. This Warrant shall expire and be canceled in its entirety on the Expiration Date set forth above and must be exercised, if at all, on or before the Expiration Date (subject only to the provisions of Section 1.6 below).

1.3 Exercise.

(a) The purchase right represented by this Warrant may be exercised by the Holder, in whole or in part, for up to the total number of shares then exercisable, by the surrender of this Warrant (with the Common Stock Warrant Notice of Exercise form attached hereto as Annex I duly executed) at the principal office of the Company and by the payment to the Company in cash (by certified check or wire transfer) or by surrender of shares of Common Stock of the Company valued at their Market Price (as defined below) on the date of surrender, or a combination of the foregoing, in an amount equal to the then applicable Purchase Price Per Share multiplied by the number of Shares then being purchased.

(b) In lieu of exercising this Warrant by payment of cash, when permitted by law and applicable regulations, the Holder may pay such exercise price through a "same day sale" commitment from the Holder and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the Holder irrevocably elects to exercise the Warrant and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company.

(c) In lieu of exercising this Warrant by payment of cash or by payment through a same day sale, the Holder may elect to receive, without the payment by the Holder of any additional consideration, a number of shares (rounded down to the nearest whole share) equal to the value of this Warrant or any portion hereof by the surrender of this Warrant or such portion to the Company (the "Net Exercise"), with the net issue election initialed in the Common Stock Warrant Notice of Exercise annexed hereto duly executed, at the office of the

Company. Thereupon the Company will issue to the Holder such number of shares of Common Stock of the Company as is computed using the following formula.

$$X = \frac{Y\,(A-B)}{A}$$

where X = the number of shares of Common Stock to be issued to the Holder upon the Net Exercise pursuant to this Section 1.3;

Y = the number of Shares exercised under this Warrant for which the net issue election is made pursuant to this Section 1.3 (upon such Net Exercise, the number of shares subject to further exercise under this Warrant shall be reduced by this number);

A = the Market Price (as defined below) of one share of the Company's Common Stock on the date the net issue election is made pursuant to this Section 1.3; and

B = the Per Share Purchase Price in effect under this Warrant on the date the net issue election is made pursuant to this Section 1.3.

For purposes of this Section 1.3, "Market Price" means, as to a share of Common Stock, the average of the closing prices of sales on all domestic securities exchanges on which the Common Stock may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day the Common Stock is not so listed, the average of the representative bid and asked prices quoted in the Nasdaq National Market as of 4:00 P.M., New York time, on such day, or, if on any day the Common Stock is not quoted in the Nasdaq National Market, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of thirty (30) Trading Days immediately preceding the date the net issue election or other exercise is made pursuant to this Section 1.3; provided, however, that if the Common Stock is listed on any domestic securities exchange the term "Trading Days" as used in this sentence means days on which such exchange is open for trading. If at any time the Common Stock is not listed on any domestic securities exchange or quoted in the Nasdaq National Market or the domestic over-the counter market, the "Market Price" shall be the fair value thereof determined jointly by the Company and the Holder; provided, however, that if such parties are unable to reach agreement within fifteen (15) business days following written notice from the Holder to the Company setting forth the Holder's determination of such fair value, such fair value shall be determined by an appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding on the Company and the Holder, and the fees and expenses of such appraiser shall be paid by the Company

1.4 Limitations on Exercise. The exercise of this Warrant, and the issuance of the Shares will be subject to and conditioned upon compliance by the Company and the Holder with all applicable state and federal laws and regulations and with all applicable requirements of

any stock exchange or automated quotation system on which the Company's common stock may be listed or quoted at the time of such issuance or transfer. The Company shall, at its sole cost and expense, use its reasonable best efforts to make all filings, notices and applications required by the Company (excluding filings, notices and applications required by the Holder), and take all other actions necessary to permit the exercise of this Warrant by the Holder and the issuance of the Shares to the Holder, and the Holder shall cooperate with all reasonable requests of the Company in connection therewith. This Warrant may not be exercised as to fewer than 50,000 Shares unless it is exercised as to all Shares as to which the Warrant is then exercisable.

1.5 Issuance of New Warrant. In the event of any exercise of the purchase right represented by this Warrant, certificates for the Shares so purchased will be delivered to the Holder within four (4) business days after receipt of such payment and, unless this Warrant has been fully exercised or has expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant will not then have been exercised will also be issued to the Holder within a reasonable time.

1.6 Hart Scott-Rodino Compliance.

(a) The Company hereby acknowledges that the exercise of this Warrant by Holder may subject the Company and/or the Holder to the filing requirements of the Hart-Scott Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and that the Holder may be prevented from closing the exercise of this Warrant until the expiration or early termination of all waiting periods imposed by, and compliance with all other requirements under, the HSR Act ("HSR Requirements"). If on or before the Expiration Date, the Holder (i) has sent the Common Stock Warrant Notice of Exercise to the Company, (ii) has irrevocably elected to exercise this Warrant for the number of Shares specified in such notice subject only to compliance with the HSR Requirements, and (iii) the Holder has not been able to complete the exercise of this Warrant prior to the Expiration Date solely because of the HSR Requirements, then, for so long as the Holder actively continues in its effort to comply with the HSR Requirements, the Holder shall be entitled to complete the process of exercising this Warrant for such number of Shares in accordance with the procedures contained herein notwithstanding the fact that completion of the exercise of this Warrant would take place after the Expiration Date. If an exercise by Holder is subject to HSR Requirements, the amount payable upon such exercise shall be paid to the Company within five (5) business days of the Holder's receiving written notice the expiration or notice of early termination of, or compliance with, all HSR Requirements.

(b) The Company and the Holder shall use all reasonable efforts to comply with the HSR Requirements; provided, however, that neither the Company nor the Holder shall be under any obligation to comply with any request or requirement imposed by the Federal Trade Commission (the "FTC"), the Department of Justice ("DofJ") or any other governmental authority in connection with their compliance with the HSR Requirements if the Company or the Holder reasonably determines that such compliance is unduly burdensome. Without limiting the generality of the foregoing, neither the Company nor the Holder shall be obligated to comply with any request by, or requirement of, the FTC, the DofJ or any other governmental authority, that such party determines is unduly burdensome: (i) to disclose

information the Company or the Holder, as the case may be, desires to keep confidential; (ii) to dispose or any assets or operations; or (iii) to comply with any restriction on the manner in which they conduct their respective operations. In the event that the Company fails to comply with any of the HSR Requirements pursuant to the immediately preceding sentence, it shall be obligated to pay to the Holder within sixty (60) business days following written election from the Holder an amount equal to the difference between: (1) the Market Price as of the date of the Common Stock Warrant Notice of Exercise, multiplied by the number of Shares to which such notice relates; and (2) the Per Share Purchase Price, multiplied by the number of such Shares.

2. ADJUSTMENT OF NUMBER OF SHARES AND PER SHARE PURCHASE PRICE. The number of Shares purchasable upon the exercise of this Warrant, and the Per Share Purchase Price, will be subject to adjustment from time to time as provided in this Section 2:

2.1 Subdivision or Combination of Common Stock. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Per Share Purchase Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of shares of Common Stock obtainable upon exercise of this Warrant shall be proportionately increased. If the Company at any time combines (by reverse stock split or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the Per Share Purchase Price in effect immediately prior to such combination shall be proportionately increased and the number of shares of Common Stock obtainable upon exercise of this Warrant shall be proportionately decreased.

2.2 Stock Dividends. If the Company at any time while this Warrant remains outstanding and unexpired pays a dividend, without receipt of consideration therefor, to the holders of Common Stock payable in shares of Common Stock, Preferred Stock, other capital stock or other securities convertible into or exchangeable for Common Stock, Preferred Stock or other capital stock ("Convertible Securities"), or options to purchase Common Stock, Preferred Stock, other capital stock or Convertible Securities ("Options"), other than any event for which adjustment is made pursuant to Section 2.1 hereof, the Holder shall, upon exercise of this Warrant be entitled to receive, in addition to the number of Shares receivable thereupon, the amount of Common Stock, Preferred Stock, other capital stock, Convertible Securities or Options that such Holder would have received had it been Holder of record of such Shares as of the date on which holders of Common Stock received or became entitled to receive such additional shares of Common Stock, Preferred Stock, other capital stock, Convertible Securities or Options. Any adjustment under this Section 2.2 will become effective on the record date or, if there is no record date, on the date of issuance.

2.3 Reorganization, Reclassifications, Mergers or Sales. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets or other transaction (including, without limitation, any Corporate Event (as defined in the Investor Rights Agreement)), in each case that is effected in such a way that the holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets, or a combination thereof, with respect to or in exchange for Common

Stock is referred to herein as an "Organic Change." Prior to the consummation of any Organic Change, other than any event for which adjustment is made pursuant to Section 2.1 or 2.2 hereof, the Company shall make appropriate provision (in form and substance reasonably satisfactory to the Holder) to ensure that the Holder shall thereafter have the right to acquire and receive, upon exercise of this Warrant in accordance with its terms and upon payment of the Per Share Exercise Price then in effect, in lieu of each Share of Common Stock immediately theretofore acquirable and receivable upon the exercise of this Warrant, such shares of stock, securities or assets as would have been issued or payable with respect to each share of Common Stock immediately theretofore acquirable and receivable upon exercise of the Warrant had the Warrant been exercised immediately prior to such Organic Change. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor entity (if other than the Company) resulting from consolidation or merger or the entity purchasing such assets assumes by written instrument, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to acquire.

2.4 Certain Events. If (i) any event occurs of a type that would have an effect on the rights granted under this Warrant similar to the effect of any event described by the other provisions of this Section 2 and (ii) such event is not expressly provided for by such other provisions, then an appropriate adjustment in the Per Share Purchase Price and the number of shares of Common Stock obtainable upon exercise of this Warrant so as to protect the rights of the Holder shall be made. Without limiting the generality of the foregoing, such events would include the granting of stock appreciation rights, phantom stock rights or other rights with equity features.

2.5 Notices.

(a) Within ten (10) business days of any adjustment of the Per Share Purchase Price, the Company shall give written notice thereof to the Holder, setting forth and certifying in reasonable detail the facts causing such adjustment and the calculation of such adjustment. The Company will give due consideration to, and consult with counsel regarding, any objection the Holder may have to the matters described in such notice, and will make any corrections to such notice deemed necessary to conform with the terms of this Warrant.

(b) The Company shall give written notice to the Holder at least ten (10) business days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution (cash or otherwise) upon the Common Stock, (B) with respect to any pro rata subscription or other offer to holders of Common Stock and (C) for determining rights to vote with respect to any Organic Change, dissolution or liquidation.

(c) The Company shall also give written notice to the Holder at least ten (10) business days prior to the date on which any Organic Change, dissolution or liquidation shall take place, and, for so long as Intel or any of its Majority Owned Subsidiaries holds the Warrant or any portion thereof, at least three (3) business days prior to the date it enters into an agreement to do any of the foregoing.

3. TRANSFERABILITY OF WARRANT.

3.1 Majority Owned Subsidiary. A "Majority Owned Subsidiary" shall mean a subsidiary of which Intel beneficially owns, either directly or indirectly, at least 50% of the voting power of all outstanding voting securities. This Warrant may not be transferred or assigned in whole or in part, at any time, and from time to time, except to any Majority-Owned Subsidiary. Prior to such time as any Majority-Owned Subsidiary shall cease to be such, Intel shall cause such Majority-Owned Subsidiary to transfer this Warrant to Intel or any of Intel's Majority-Owned Subsidiaries.

4. MISCELLANEOUS.

4.1 Legends. Any certificate for Shares issued upon exercise hereof will be imprinted with a legend in substantially the form set forth in the Common Stock Warrant Notice of Exercise form attached hereto as Annex I.

4.2 Investor Rights Agreement. This Warrant and the Shares are subject to the terms and conditions of that certain Investor Rights Agreement between the Company and Intel dated as of March 18, 1997 (the "Investor Rights Agreement").

4.3 Successors and Assigns. The terms and provisions of this Warrant will inure to the benefit of, and be binding upon, the Company and the Holder and their respective successors and assigns of the Holder and of the Company.

4.4 Governing Law. This Warrant will be governed by and construed under the internal laws of the State of Delaware, without reference to principles of conflict of laws or choice of laws.

4.5 Headings. The headings and captions used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant. All references in this Warrant to sections and annexes will, unless otherwise provided, refer to sections and hereof and annexes attached hereto, all of which annexes are incorporated herein by this reference.

4.6 Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing, shall be effective when received, and shall in any event be deemed received and effectively given upon personal delivery to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, or one (1) business day after deposit with a nationally recognized courier service such as Fedex under circumstances in which such service guarantees next business day delivery, or one (1) business day after facsimile with copy delivered by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof or at such other address as the Investor or the Company may designate by giving at least ten (10) days advance written notice pursuant to this Section 4.6.

[The remainder of this page is intentionally left blank.]

STANDARD MICROSYSTEMS
CORPORATION

By: ______________________

Name: ____________________

Title: ___________________

Accepted:

INTEL CORPORATION

By: ______________________

Name: ____________________

Title: ___________________

[SIGNATURE PAGE COMMON STOCK WARRANT]

ANNEX TO
WARRANT

______________, 199___

Standard Microsystems Corporation
80 Arkay Drive
Hauppauge, New York 11788

Common Stock Warrant Notice of Exercise

Gentlemen:

On this date the undersigned hereby acquires from Standard Microsystems Corporation, a Delaware corporation (the "Company"), an aggregate of ________ shares of the Company's Common Stock (the "Warrant Shares"), by exercise, for such number of shares, of that certain Warrant to Purchase Shares of Common Stock (the "Warrant"), dated as of March 18, 1997 from the Company to the original holder of the Warrant. However, if this exercise of the Warrant is subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") filing requirements, this Warrant shall be deemed to have been exercised on the date immediately following the date of the expiration or early termination of all HSR Act restrictions.

1. Investment Representations and Warranties. The undersigned represents and warrants that:

1.1 Purchase for Own Account. The Warrant Shares to be purchased by the undersigned will be acquired for investment for the undersigned's own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Securities Act of 1933, as amended (the "1933 Act"), and the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned also represents that it has not been formed for the specific purpose of acquiring the Warrant Shares.

1.2 Disclosure of Information. The undersigned has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the Warrant Shares to be purchased by the undersigned.

1.3 Investment Experience. The undersigned understands that the purchase of the Warrant Shares involves substantial risk. The undersigned: (a) has experience as an investor in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Warrant Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Warrant Shares and protecting its own interests in connection with this investment and/or (b) has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the

undersigned to be aware of the character, business acumen and financial circumstances of such persons.

1.4 Accredited Investor Status. The Investor is an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act.

1.5 Restricted Securities. The undersigned understands that the Warrant Shares to be purchased by the undersigned hereunder, are characterized as "restricted securities" under the 1933 Act inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under the 1933 Act and applicable regulations thereunder such securities may be resold without registration under the 1933 Act only in certain limited circumstances. The undersigned is familiar with Rule 144 of the SEC, as presently in effect, and understands the resale limitations imposed thereby and by the 1933 Act. The undersigned understands that the Company is under no obligation to register any of the securities sold hereunder except as provided in the Investor Rights Agreement between the Company and Intel Corporation dated as of March, 1997 (the "Investor Rights Agreement").

1.6 Further Limitations on Disposition. Without in any way limiting the representations set forth above, the undersigned further agrees not to make any disposition of all or any portion of the Warrant Shares unless and until:

(a) there is then in effect a registration statement under the 1933 Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) the undersigned has notified the Company of the proposed disposition and has furnished the Company with a statement of the circumstances surrounding the proposed disposition, and the undersigned has furnished the Company, at the expense of the undersigned or its transferee, with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such securities under the 1933 Act.

Notwithstanding the provisions of paragraphs (a) and (b) of this Section 1.6, no such registration statement or opinion of counsel will be required for any transfer of any Warrant Shares in compliance with SEC Rule 144, Rule 144A or Rule 145(d), or if such transfer otherwise is exempt, in the view of the Company's legal counsel, from the registration requirements of the 1933 Act.

1.7 Investor Rights Agreement. The undersigned agrees and acknowledges that the Warrant Shares are subject to the terms and conditions or the Investor Rights Agreement.

2. Legends. The undersigned understands that certificates evidencing the Warrant Shares will bear each of the legends set forth below:

2.1 THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR

UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES

ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

2.2 THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS SPECIFIED IN A CERTAIN INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND INTEL CORPORATION DATED AS OF March 18, 1997, A COPY OF WHICH IS AVAILABLE FOR EXAMINATION AT THE ISSUER'S PRINCIPAL OFFICE.

2.3 Any legends required by any applicable state securities laws.

The undersigned agrees that, to ensure and enforce compliance with the restrictions imposed by applicable law and those referred to in the foregoing legend, or elsewhere herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, with respect to any certificate or other instrument representing Warrant Shares.

3. Net Exercise Election. If applicable, the undersigned elects to purchase the Warrant Shares by Net Exercise (as defined in the Warrant), by initialing in the following space (please initial only if Net Exercise chosen): _________

4. Same Day Sale Election. If applicable, the undersigned elects to purchase the Warrant Shares by "same day sale" pursuant to the provisions of Section 1.3(b) of the Warrant, by initialing on the following space (please initial only if Same Day Sale chosen): _________

By: ______________________________

Name: ____________________________

Title: ___________________________

Address: __________________________
____
____

Date signed: ______________________

[SIGNATURE PAGE
COMMON STOCK WARRANT NOTICE OF EXERCISE]

EXHIBIT 3

INVESTOR RIGHTS AGREEMENT
EXHIBIT B

STANDARD MICROSYSTEMS CORPORATION
INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "Agreement") is made and entered into as of March 18, 1997, by and between Standard Microsystems Corporation, a Delaware corporation (the "Company"), and Intel Corporation, a Delaware corporation (the "Investor").

R E C I T A L S

A. The Investor has agreed to purchase from the Company, and the Company has agreed to sell to the Investor, shares of the Company's Common Stock (the "Common Stock") and a Warrant (the "Warrant") on the terms and conditions set forth in that certain Common Stock and Warrant Purchase Agreement, dated of even date herewith by and between the Company and the Investor (the "Purchase Agreement").

B. The Purchase Agreement provides that the Investor shall be granted certain information rights, registration rights and other rights, all as more fully set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. INFORMATION RIGHTS.

1.1 Financial Information. The Company covenants and agrees that, commencing on the date of this Agreement, for so long as the Investor holds shares of Common Stock issued under this Agreement or the Purchase Agreement or shares of Common Stock issued or issuable pursuant to exercise of the Warrant, the Company will:

(a) Annual Reports. Furnish to the Investor promptly following the filing of such report with the U.S. Securities and Exchange Commission (the "SEC"), a copy of the Company's Annual Report on Form 10-K for each fiscal year, which shall include a consolidated Balance Sheet as of the end of such fiscal year, a consolidated Statement of Income and a consolidated Statement of Cash Flows of the Company and its subsidiaries for such year, setting forth in each case in comparative form the figures from the Company's previous fiscal year, all prepared in accordance with generally accepted accounting principles and practices and audited by nationally recognized independent certified public accountants. In the event the Company shall no longer be required to file Annual Reports on Form 10-K, the Company shall, within ninety (90) days following the end of each respective fiscal year, deliver to the Investor a copy of such Balance Sheet, Statement of Income and Statement of Cash Flows.

(b) Quarterly Reports. Furnish to the Investor promptly following the filing of such report with the SEC, a copy of each of the Company's Quarterly Reports on Form 10-Q, which shall include a consolidated Balance Sheet as of the end of the respective fiscal quarter, consolidated Statements of Income and consolidated Statements of Cash Flows of the Company and its subsidiaries for the respective fiscal quarter and for the year-to-date, setting forth in each case in comparative form the figures from the comparable periods in the Company's immediately preceding fiscal year, all prepared in accordance with generally accepted accounting principles and practices, but all of which may be unaudited. In the event the Company shall no longer be required to file Quarterly Reports on Form 10-Q, the Company shall, within forty-five (45) days following the end of each of the first three (3) fiscal quarters of each fiscal year, deliver to the Investor a copy of such Balance Sheet, Statements of Income and Statements of Cash Flows.

(c) SEC Filings. The Company shall deliver to the Investor copies of each other document filed with the SEC (as defined herein) promptly following the filing of such document with the SEC.

1.2 Board Observer. So long as the Investor, together with its Majority Owned Subsidiaries (as defined in Section 6.1(c)), holds at least the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the Company's Common Stock and other voting securities outstanding immediately following the closing of the Purchase Agreement minus 100 shares (such number to be proportionately adjusted for stock splits, stock dividends, and similar events), the Company will permit a representative of the Investor, reasonably acceptable to the Company (the "Observer") to attend all meetings of the Company's Board of Directors (the "Board") (whether in person, telephonic or other) in a non-voting, observer capacity and shall provide to the Investor, concurrently with the members of the Board, notice of such meeting and a copy of all materials provided to such members. For so long as the Investor shall be entitled to appoint an Observer pursuant to this section, the Investor shall, by written election delivered to the Company, be entitled to designate a representative for appointment or election to the Board (the "Representative"), in lieu of the observer contemplated above. Upon written request of the Investor, the Company shall use its reasonable best efforts to cause the representative designated by the Investor to be elected to the Board, including recommending to the stockholders of the Company that they vote for the election to the Board of the individual designated by the Investor. The Company shall be entitled to recuse the Representative or Observer, as the case may be, from portions of any Board meeting and to redact portions of Board of Directors materials delivered to the Representative or Observer where and to the extent that a majority of the Board (without the Representative or Observer present) determines a conflict of interest between the Company and the Investor is present (but not where the conflict is a conflict that is present for stockholders generally). The Company acknowledged and agrees that the Observer shall be acting for the benefit of the Investor, whose interests may not coincide with the interests of the Company and the other shareholders, and that the Observer shall not be deemed to have breached any duty of any kind to the Company or its shareholders as a result of his or her acting in a manner he or she deems to be in the interests of the Investor. Confidential information obtained by the Representative or Observer shall be governed by the

terms of the Intel Corporation/Standard Microsystems Corporation Corporate Non-Disclosure Agreement # 93761.

2. REGISTRATION RIGHTS.

2.1 Definitions. For purposes of this Section 2:

(a) Registration. The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended, (the "Securities Act"), and the declaration or ordering of effectiveness of such registration statement

(b) Registrable Securities. The term "Registrable Securities" means: (1) all the shares of Common Stock of the Company issued or issuable (A) under the Purchase Agreement, (B) pursuant to an exercise of the Warrant (shares issued or issuable upon exercise of the Warrant are referred to herein as the "Warrant Shares"), and (C) pursuant to the Right of Participation (defined in Section 3 hereof) or the Right of Maintenance (defined in Section 4 hereof), and (2) any shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, any such shares of Common Stock described in clause (1) of this subsection (b). Notwithstanding the foregoing, "Registrable Securities" shall exclude any Registrable Securities sold by a person in a transaction in which rights under this Section 2 are not assigned in accordance with this Agreement or any Registrable Securities sold in a public offering, whether sold pursuant to Rule 144 promulgated under the Securities Act, or in a registered offering, or otherwise.

(c) Registrable Securities Then Outstanding. The number of shares of "Registrable Securities then outstanding" shall mean the number of shares of Common Stock that are Registrable Securities and (1) are then issued and outstanding or (2) are then issuable pursuant to an exercise of the Warrant.

(d) Holder. For purposes of this Section 2, the term "Holder" means any person owning of record Registrable Securities that have not been sold to the public or pursuant to Rule 144 promulgated under the Securities Act or any permitted assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement.

(e) Form S-3. The term "Form S-3" means such form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(f) SEC. The term "SEC" or "Commission" means the U.S. Securities and Exchange Commission.

2.2 Demand Registration.

(a) Request by Holders. If the Company shall at any time after the first anniversary of the Closing, as defined in the Purchase Agreement, receive a written request from the Holders of at least twenty-five percent (25%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities pursuant to this Section 2.2, then the Company shall, within ten (10) business days of the receipt of such written request, give written notice of such request ("Request Notice") to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that Holders request to be registered and included in such registration by written notice given such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 2.2; provided that the Registrable Securities requested by all Holders to be registered pursuant to such request must be at least twenty-five percent (25%) of all Registrable Securities then outstanding; and provided further that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 2.2 or Section 2.4, or in which the Holders had an opportunity to participate pursuant to the provisions of Section 2.3, other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 2.3(a).

(b) Underwriting. If the Holders initiating the registration request under this Section 2.2 ("Initiating Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2.2 and the Company shall include such information in the written notice referred to in subsection 2.2(a). In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company (including a market stand-off agreement of up to 180 days if required by such underwriters). Notwithstanding any other provision of this Section 2.2, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the initiating Holders); provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company are first entirely excluded from the

underwriting and registration. Any Registrable Securities excluded and withdrawn from such underwriting shall be withdrawn from the registration.

(c) Maximum Number of Demand Registrations. The Company shall be obligated to effect only three (3) such registrations pursuant to this Section 2.2.

(d) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 2.2, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(e) Expenses. All expenses incurred in connection with any registration pursuant to this Section 2.2, including without limitation all federal and "blue sky" registration, filing and qualification fees, printer's and accounting fees, and fees and disbursements of counsel for the Company (but excluding underwriters' discounts and commissions relating to shares sold by the Holders and legal fees of counsel for the Holders), shall be borne by the Company. Each Holder participating in a registration pursuant to this Section 2.2 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, commissions or other amounts payable to underwriters or brokers, and the Holders' legal fees, in connection with such offering by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to this Section 2.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to this Section 2.2 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (l) such demand registration); provided, further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to this Section 2.2.

2.3 Piggyback Registrations. The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2.2 or Section 2.4 of this Agreement, to any employee benefit plan or to any merger or other corporate reorganization) and will afford each such Holder an opportunity to include in

such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by such Holder shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the

Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) Underwriting. If a registration statement under which the Company gives notice under this Section 2.3 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting (including a market stand-off agreement of up to 180 days if required by such underwriters). Notwithstanding any other provision of this Agreement, if the managing underwriter determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first to the Company, and second, to each of the Holders and other holders of registration rights on a parity with the Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of Registrable Securities and other securities entitled to registration then held by each such Holder or other holder; provided, however, that the right of the underwriters to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below twenty-five percent (25%) of the aggregate number of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company (or any subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded (other than to the extent that such persons are non-employee directors or other non-employees of the Company who hold registration rights on a parity with the Holders, such non-employee directors and other non-employees being entitled to participate with the participating Holders on the basis described under "second" above). If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder that is a partnership, the Holder and the partners and retired partners of such Holder, or the estates and

family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, and for any Holder that is a corporation, the Holder and all corporations that are affiliates of such Holder, shall be deemed to be a single "Holder," and any pro rata reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

(b) Expenses. All expenses incurred in connection with a registration pursuant to this Section 2.3 (excluding underwriters' and brokers' discounts and commissions relating to shares sold by the Holders and legal fees of counsel for the Holders), including, without limitation all federal and "blue sky" registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of counsel for the Company, shall be borne by the Company.

(c) Not Demand Registration. Registration pursuant to this Section 2.3 shall not be deemed to be a demand registration as described in Section 2.2 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.3.

2.4 Form S-3 Registration. In case the Company shall at any time after the first anniversary of the Closing, as defined in the Purchase Agreement, receive from any Holder or Holders of a majority of all Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

(a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 2.4(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(1) if Form S-3 is not available for such offering by the Holders:

(2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $5,000,000;

(3) if the Company shall furnish to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement no more than once during any twelve month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.4;

(4) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 2.3(a); or

(5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Expenses. The Company shall pay all expenses incurred in connection with each registration requested pursuant to this Section 2.4, (excluding underwriters' or brokers' discounts and commissions relating to shares sold by the Holders and legal fees of counsel for the Holders), including without limitation federal and "blue sky" registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of counsel.

(d) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 2.4, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(e) Not Demand Registration. Form S-3 registrations shall not be deemed to be demand registrations as described in

Section 2.2 above. Except as otherwise provided herein, Holders may request up to 3 separate registrations of Registrable Securities under this Section 2.4.

2.5 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, provided, however, that the Company shall not be required to keep any such registration statement effective for more than ninety (90) days.

(b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(d) Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a "comfort" letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

2.6 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.2, 2.3 or 2.4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be required to timely effect the Registration of their Registrable Securities.

2.7 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4:

(a) By the Company. To the extent permitted by law; the Company will indemnify and hold harmless each Holder, the partners, officers and directors of each Holder, any underwriter (as determined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended, (the "1934 Act"), against any losses, claims, damages, or Liabilities (joint or several) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.7(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the

meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder within the meaning of the Securities Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action: provided, however, that the indemnity agreement contained in this subsection 2.7(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided, further, that the total amounts payable in indemnity by a Holder under this Section 2.7(b) in respect of any Violation shall not exceed the net proceeds received by such Holder in the registered offering out of which such Violation arises.

(c) Notice. Promptly after receipt by an indemnified party under this Section 2.7 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.7, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, to the extent that representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 2.7 to the extent the indemnifying party is prejudiced as a result thereof, but the omission so to deliver written notice to the indemnified party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.7.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holders are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any person if a copy of

the Final Prospectus was timely furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this Section 2.7 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.7 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 2.7; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such Holder is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion; provided, however, that, in any such case: (A) no such Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(f) Survival. The obligations of the Company and Holders under this Section 2.7 shall survive until the fifth anniversary of the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes.

2.8 Termination of the Company's Obligations. The Company shall have no obligations pursuant to this Section 2 with respect to any Registrable Securities proposed to be sold by a Holder in a registration pursuant to Section 2.2, 2.3 or 2.4 more than seven (7) years after the date of this Agreement, or, if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder may then be sold under Rule 144 in one transaction without exceeding the volume limitations thereunder.

2.9 No Registration Rights to Third Parties. Without the prior written consent of the Holders of a majority in interest of the Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, "piggyback" or Form S-3 registration rights described in this Article 2, or otherwise) relating to shares of the Company's Common Stock or any other voting securities of the Company, other than rights that are on a parity with or subordinate in right to the Holders.

3. RIGHT OF PARTICIPATION.

3.1 General. The Investor and any Majority Owned Subsidiary of the Investor to which rights under this Section 3 have been duly assigned in accordance with Section 6 (the Investor and each such assignee being hereinafter referred to as a "Participation Rights Holder") shall have the right of first refusal to purchase such Participation Rights Holder's Pro Rata Share (as defined below), of all (or any part) of any New Securities (as defined in Section 3.3) that the Company may from time to time issue after the date of this Agreement (the "Right of Participation"); provided, however, that no Participation Rights Holder shall have the Right of Participation with respect to any issuance of New Securities that would result in less than a five percent (5%) reduction in such Participation Rights Holder's Pro Rata Share.

3.2 Pro Rata Share. A Participation Rights Holder's "Pro Rata Share" for purposes of the Right of Participation is the ratio of (a) the number of Registrable Securities held by such Participation Rights Holder, to (b) the difference between (i) the total number of shares of Common Stock of the Company (and other voting securities of the Company, if any) then outstanding (immediately prior to the issuance of New Securities giving rise to the Right of Participation), where for such purposes all Warrant Shares held by the Investor and its Majority Owned Subsidiaries are deemed outstanding, and (ii) the number of Dilutive Securities (defined below) issued since the last Notice Date (defined below) excluding any Maintenance Securities (defined below) issued pursuant to the last Maintenance Notice.

3.3 New Securities. "New Securities" shall mean any Common Stock, Preferred Stock or other voting capital stock of the Company, whether now authorized or not, and rights, options or warrants to purchase such Common Stock or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible or exchangeable into such Common Stock, Preferred Stock or other capital stock, provided, however, that the term "New Securities" shall not include:

(a) any shares of the Company's Common Stock (and/or options or warrants therefor) issued to employees officers, directors, contractors, advisors or consultants of the Company pursuant to incentive agreements or incentive plans approved by the Board;

(b) any shares of Common Stock issued under the Purchase Agreement, as such agreement may be amended;

(c) the Warrant or any shares of Common Stock issued upon any exercise thereof;

(d) any securities issued in connection with any stock split stock, dividend or other similar event in which all Participation Rights Holders are entitled to participate on a pro rata basis;

(e) any securities issued upon the exercise, conversion or exchange of any outstanding security if such outstanding security constituted a New Security;

(f) any securities issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, assets of such other corporation or entity or fifty percent (50%) or more of the voting power of such other corporation or entity or fifty percent (50%) or more of the equity ownership of such other entity; or

(g) any securities issued pursuant to the Company's "Shareholder Rights Plan" in which all Participation Rights Holders are entitled to participate on a pro rata basis.

3.4 Procedures. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions) that would result in a five percent (5%) or greater reduction in the Pro Rata Share of each Participation Rights Holder, it shall give to each Participation Rights Holder written notice of its intention to issue New Securities (the "Participation Notice"), describing the amount and the type of New Securities and the price and the general terms upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have ten (10) business days from the date of receipt of any such Participation Notice to agree in writing to purchase such Participation Rights Holder's Pro Rata Share of such New Securities for the price and upon the terms and conditions specified in the Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder's Pro Rata Share). If any Participation Rights Holder fails to so agree in writing within such ten (10) business day period to purchase such Participation Rights Holder's full Pro Rata Share of an offering of New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its Pro Rata Share of such New Securities that it did not so agree to purchase. Such Participation Rights Holder shall purchase the portion elected by such Participation Rights Holder concurrently with the closing of the transaction triggering the Right of Participation.

3.5 Failure to Exercise. Upon the expiration of such ten (10) day period, the Company shall have 120 days thereafter to sell the New Securities described in the Participation Notice (with respect to which the Participation Rights Holders' rights of first refusal hereunder were not exercised), or enter into an agreement to do so, within sixty (60) days thereafter, at no less than one-hundred percent (100%) of the price and upon non-price terms not materially more favorable to the purchasers thereof than specified in the Participation Notice. In the event that the Company has not issued and sold such New Securities within such 120 day period, or entered into an agreement to do so within sixty (60) days thereafter, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 3.

3.6 Termination. The Right of Participation for the Investor and each other Participation Rights Holder shall terminate upon the date that the Investor and its Affiliates (as defined in Rule 144 under the Securities Act) collectively hold less than the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the

Company's Common Stock and other voting securities outstanding immediately following the closing of the Purchase Agreement minus 100 shares (such number to be proportionately adjusted for stock splits, stock dividends and similar events).

4. RIGHT OF MAINTENANCE.

4.1 General. Each Participation Rights Holder will, pursuant to the terms and conditions of this Section 4, have the right to purchase shares of Common Stock, voting Preferred Stock or other voting capital stock ("Maintenance Securities") from the Company at the Purchase Price (as defined in Section 4.3) following the issuance by the Company of Dilutive Securities (as defined in Section 4.2) that the Company may from time to time issue after the date of this Agreement, solely in order to maintain such Participation Rights Holder's Prior Percentage Interest (as defined in Section 4.4) in the Company (the "Right of Maintenance"). Each right to purchase Maintenance Securities pursuant to this Section 4 shall be on the same terms (other than price to the extent provided in Section 4.3 below) as the issuance of the Dilutive Securities that gave rise to the right to purchase such Maintenance Securities

4.2 Dilutive Securities. "Dilutive Securities" means any Common Stock, voting Preferred Stock or other voting capital stock of the Company, whether now authorized or not; provided, however, that the term "Dilutive Securities" does not include:

(a) any securities other than Common Stock, voting Preferred Stock or other voting capital stock (e.g., warrants or options to purchase Common Stock, Preferred Stock or other capital stock);

(b) any shares of Common Stock issued under the Purchase Agreement, as such agreement may be amended;

(c) the Warrant or any shares of Common Stock issuable upon any exercise thereof;

(d) any securities issued in connection with any stock split, stock dividend or similar event in which all Participation Rights Holders are entitled to participate on a pro rata basis;

(e) any securities for which the issuance gave rise to the Right of Participation (regardless of whether any such right was exercised); or

(f) any securities issuable upon the exercise, conversion or exchange of any securities described in (d) or (e) above.

4.3 Purchase Price.

(a) Employee Stock. To the extent that the right to purchase Maintenance Securities arises out of the issuance of Dilutive Securities to employees, officers, directors, contractors, advisors or consultants of the Company pursuant to incentive agreements or incentive plans approved by the Board ("Employee Stock"), the per share "Purchase Price" of the Maintenance Securities shall equal the average Market Price (as defined below) of such Maintenance Securities over the ten (10) trading days immediately preceding the date on which the Participation Rights Holder elects to purchase such Maintenance Securities.

(b) Other Dilutive Securities. To the extent that the right to purchase Maintenance Securities arises out of any issuance of Dilutive Securities other than Employee Stock, the per share "Purchase Price" of the Maintenance Securities shall equal the lower of (i) the weighted average of the per share prices at which such Dilutive Securities were issued, and (ii) the average Market Price (as defined below) of such Maintenance Securities over the ten (10) trading days immediately preceding the date on which the Participation Rights Holder elects to purchase such Maintenance Securities. For purposes hereof, in the event that the issuance of any Dilutive Securities occurs upon the exercise, conversion or exchange of other securities ("Exchangeable Securities"), then the per share price at which such Dilutive Securities shall be deemed to have been issued shall be the sum of (A) the per share amount paid upon such exercise, conversion or exchange, plus (B) the per share amount previously paid for the Exchangeable Securities (adjusted for any stock splits, stock dividends or other similar events).

(c) Market Price. For purposes of this Section 4.3, "Market Price" means, as to any Maintenance Securities on a given day, the average of the closing prices of such security's sales on all domestic securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ

National Market as of 4:00 P.M., New York time, on such day, or, if on any day such security is not quoted in the NASDAQ National Market, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization. If at any time the Maintenance Securities are not listed on any domestic securities exchange or quoted in the NASDAQ National Market or the domestic over-the-counter market ("Unlisted Securities"), the "Market Price" shall be the fair value thereof determined jointly by the Company and the Holder.

(d) Consideration Other than Cash. In the event that Dilutive Securities or Exchangeable Securities were issued for consideration other than cash, the per share amounts paid for such Dilutive Securities or Exchangeable Securities shall be determined jointly by the Company and the Participation Rights Holder.

(e) Appraiser. If the Company and the Participation Rights Holder are unable to reach agreement within a reasonable period of time with respect to (i) the Market Price of Unlisted Securities, or (ii) the per share amounts paid for Dilutive Securities or Exchangeable Securities issued for consideration other than cash, such Market Price or per share amounts paid, as the case may be, shall be determined by an appraiser jointly selected by the Company and the Participation Rights Holder. The determination of such appraiser shall be final and binding on the Company and the Participation Rights Holder. The fees and expenses of such appraiser shall be paid for by the Company.

4.4 Prior Percentage Interest. A Participation Rights Holder's "Prior Percentage Interest" for purposes of the Right of Maintenance is the ratio of (a) the number of Registrable Securities held by such Participation Rights Holder as of the date of such Maintenance Notice (as defined in Section 4.6) (the "Notice Date"), to (b) the difference between (i) the total number of shares of Common Stock of the Company (and other voting securities of the Company, if any) outstanding on the Notice Date, where for such purposes all Warrant Shares held by the Investor and its Majority Owned Subsidiaries are deemed outstanding, and (ii) the total number of Dilutive Securities issued since the later of the date of this Agreement or the last Notice Date excluding any Maintenance Securities (defined below) issued pursuant to the last Maintenance Notice.

4.5 Maintenance Amount. A Participation Rights Holder's "Maintenance Amount" with respect to any Maintenance Notice shall equal such number of Maintenance Securities as shall (upon purchase thereof in full by the Participation Rights Holder) enable such Participation Rights Holder to maintain its Prior Percentage Interest on a fully-diluted basis. As an example, assume that the Company had 10,000 shares outstanding, and the Participation Rights Holder holds 20% of such shares (or 2,000 shares). The Company first issues 400 shares to a third party ("Issuance 1"), an amount insufficient to trigger a Notice of Issuance pursuant to Section 4.6. The Company then issues 4,600 shares to a third party ("Issuance 2"), an amount sufficient to trigger a Notice of Issuance. The Participation Rights Holder will have the right to maintain its 20% interest after considering Issuances 1 and 2 and the new shares issued to the Participation Rights Holder. In this example, the Participation Rights Holder will have the right to purchase an additional 1,250 shares, thereby resulting in the Participation Rights Holder holding 20% of the securities outstanding (3,250 shares out of 16,250 shares).

4.6 Notice of Issuance. Within fifteen (15) business days of each anniversary of this Agreement, and within fifteen (15) business days of each issuance of Dilutive Securities which when cumulated with all prior issuances of Dilutive Securities since the later of (i) the date of this Agreement, or (ii) the date of the last Notice Date (subsequent to which the Participation Rights Holder has had an opportunity to purchase Maintenance Securities), results in a five percent (5%) reduction in a Participation Rights Holders' Prior Percentage Interest, the Company shall give to each Participation Rights Holder written notice (the "Maintenance Notice") describing the number of Dilutive Securities issued since such prior Notice Date and the non-price terms upon which the Company issued such Dilutive Securities, and the Maintenance Amount of Maintenance Securities that such Participation Rights Holder is entitled to purchase as a result of such issuances.

4.7 Purchase of Maintenance Securities. Each Participation Rights Holder shall have sixty (60) days from the receipt of a Maintenance Notice to elect to purchase up to such Participation Rights Holder's Maintenance Amount of such Maintenance Securities at the Purchase Price as defined in Section 4.3 and upon the terms and conditions specified in the Maintenance Notice. The closing of such purchase shall occur within ten (10) days after such election to purchase. If any Participation Rights Holder fails to elect to purchase such Participation Rights Holder's full Maintenance Amount of Maintenance Securities within such

sixty (60) day period, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its Maintenance Amount that it did not so elect to purchase.

4.8 Termination. The provisions of Sections 4.1 through 4.7 shall terminate with respect to the issuance of any Dilutive Securities by the Company after the date that the Investor and its Affiliates (as defined in Rule 144 under the Securities Act) collectively hold less than the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the Company's Common Stock and other voting securities outstanding immediately following the closing of the Purchase Agreement minus 100 shares (such number to be proportionately adjusted for stock splits, stock dividends and similar events).

5. RIGHTS IN CORPORATE EVENTS.

5.1 Corporate Event.

(a) A "Corporate Event" shall mean any of the following, whether accomplished through one or a series of related transactions (a) the acquisition of all or substantially all the assets of the Company, (b) an acquisition of the Company by consolidation, merger, share purchase or exchange, or other reorganization or transaction in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the corporation or other entity surviving such transaction, and (c) any other transaction or series of related transactions (excluding any exercise or exercises of the Warrant) that would result in a greater than thirty percent (30%) change in the total outstanding number of shares of Voting Stock (as defined below) of the Company (other than any such change solely as a result of a stock split, stock dividend or other recapitalization affecting holders of Common Stock and other classes of voting securities of the Company on a pro rata basis).

(b) The Company agrees that it will provide the Investor with detailed written notice of any offer from a third party for a proposed Corporate Event within two (2) business days of the date the Company first becomes aware of such offer or proposed Corporate Event. In addition, the Company agrees that it will provide the Investor, within two (2) business days of the Company's becoming aware thereof, with detailed written notice of any offer from a third party to acquire ten percent (10%) or more of the Company's outstanding voting securities. The Investor agrees to keep the information contained in such notice strictly confidential.

5.2 Right of First Refusal The Company agrees that prior to entering into any agreement that contemplates the consummation of, or any transaction that would constitute, a Corporate Event, the Company will present to the Investor in writing the final terms and conditions of the proposed Corporate Event, including without limitation the name of the other party or parties to the Corporate Event and a copy of the definitive agreements that the Company is prepared to enter into with respect to such Corporate Event (the "Corporate Event Agreement"). The Investor shall have ten (10) calendar days from the date of receipt of the Corporate Event Agreement to deliver written notice to the Company agreeing in writing to enter into an agreement with the Company on substantially the same terms and conditions specified in the Corporate Event Agreement, which agreement shall call for completion within one hundred

twenty (120) days from the date of delivery of the Corporate Event Agreement (such 120-day period subject to extensions for regulatory compliance). If the Investor fails to so agree in writing within such ten (10) business day period, for a period of one hundred twenty (120) days thereafter, the Company shall have the right to enter into the Corporate Event Agreement with the party specified in such agreement.

5.3 Termination of Rights. The rights of the Investor under Section 5.2 shall terminate with respect to any Corporate Event consummated after the date that the Investor and its Affiliates (as defined in Rule 144 under the Securities Act) collectively hold less than the number of shares of the Company's Common Stock equal to ten percent (10%) of the number of shares of the Company's Common Stock and other voting securities outstanding immediately following the closing of the Purchase Agreement minus 100 shares (such number to be proportionately adjusted for stock splits, stock dividends and similar events).

6. ASSIGNMENT AND AMENDMENT.

6.1 Assignment. Notwithstanding anything herein to the contrary:

(a) Information Rights. The rights of the Investor under Section 1.1 are transferable to any Holder who acquires and holds at least 750,000 shares of Registrable Securities (subject to appropriate adjustment for all stock splits, dividends, combinations, recapitalizations and the like where all holders of the Company's Common Stock participate on a pro rata basis); provided, however, that no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6. The rights of the Investor under Section 1.2 may not be assigned.

(b) Registration Rights. The registration rights of the Investor under Section 2 hereof may be assigned to any Holder; provided, however, that no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6.

(c) Rights of Participation and Maintenance. The rights of the Investor under Sections 3 and Section 4 hereof may be assigned only to a subsidiary of which the Investor beneficially owns, either directly or indirectly, at least 50% of the Total Voting Power (as defined in Section 8.1) of all outstanding voting securities (a "Majority Owned Subsidiary"); provided, however that no party may be assigned any of the foregoing rights unless the Company is given written notice by the Investor at the time of such assignment stating the name and address of the assignee and identifying the securities of the; Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement.

(d) Rights On Corporate Events. The rights of the Investor under Section 5 hereof may be assigned only in whole, and not in part, and only to a Majority Owned Subsidiary; provided, however that no party may be assigned any of the foregoing rights unless the Company is given written notice by the Investor at the time of such assignment stating the name and address of the assignee; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement.

6.2 Amendment of Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investor (or, in the case of an amendment or waiver of any provision of Section 2 hereof, only with the written consent of the Company and the Holders of a majority of the Registrable Securities then outstanding and entitled to the registration rights set forth in Section 2 hereof). Any amendment or waiver effected in accordance with this Section 6.2 shall be binding upon the Investor, each Holder, each permitted successor or assignee of such Investor or Holder and the Company.

7. CONFIDENTIALITY.

7.1 (a) Except to the extent required by law or judicial order or except as provided herein, each party to this Agreement will hold any of the other's Confidential Information (as defined in the next paragraph) in confidence and will: (i) use the same degree of care to prevent unauthorized disclosure or use of the Confidential Information that the receiving party uses with its own information of like nature (but in no event less than reasonable care), (ii) limit disclosure of the Confidential Information, including any materials regarding the Confidential Information that the receiving party has generated, to such of its employees and contractors as have a need to know the Confidential Information to accomplish the purposes of this Agreement, and (iii) advise its employees, agents and contractors of the confidential nature of the Confidential Information and of the receiving party's obligations under this Agreement.

(b) For purposes of this Agreement, the term "Confidential Information" refers to this Agreement, the Warrant and the Purchase Agreement (collectively, the "Agreements"). Any employee or contractor of the receiving party having access to the Confidential Information will be required to sign a non-disclosure agreement protecting the Confidential Information if not already bound by such a non-disclosure agreement.

7.2 Except to the extent required by law or judicial order or except as provided herein, neither party shall disclose the Agreements or any of their terms without the other's prior written approval, which approval will not be delayed or unreasonably withheld. Either party may disclose the Agreements to the extent required by law or judicial order, provided that if such disclosure is pursuant to judicial order or proceedings, the disclosing party will notify the other party promptly before such disclosure and will cooperate with the other party to seek confidential treatment with respect to the disclosure if requested by the other party and provided further that if such disclosure is required pursuant to the rules and regulations of any federal, state or local organization, the parties will cooperate to seek confidential treatment of this Agreement to the maximum extent possible under law.

7.3 Prior to the execution of the Agreements, the parties will agree on the content of a joint press release announcing the existence of this Agreement, which press release will be issued as mutually agreed by the parties.

7.4 Neither party will be required to disclose to the other any confidential information of any third party without having first obtained such third party's prior written consent.

7.5 The provisions of Sections 7.1, 7.2, 7.3 and 7.4 shall survive for a period of five (5) years from the date which the Investor ceases to have any rights under Sections 1, 3, 4 and 5 of this Agreement.

7.6 All other confidential information exchanged by the parties will be disclosed pursuant to the Intel Corporation/Standard Microsystems Corporation Corporate Non-Disclosure Agreement # 93761.

8. STANDSTILL AGREEMENT.

8.1 Standstill. The Investor hereby agrees that the Investor (together with all Majority Owned Subsidiaries) shall not acquire beneficial ownership (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of any Voting Stock (as defined below), any securities convertible into or exchangeable for Voting Stock, or any other right to acquire Voting Stock (except, in any case, by way of stock dividends or other distributions or offerings made available to holders of any Voting Stock generally) without the written consent of the Company, if the effect of such acquisition would be to increase the Voting Power (as defined below) of all Voting Stock then beneficially owned (as defined above) by the Investor or which it has a right to acquire (together with all Majority Owned Subsidiaries) to a percentage greater than twenty-five percent (25%) (the "Standstill Percentage") of the Total Voting Power (as defined below) of the Company at the time in effect; provided that nothing in this Section 8 shall affect the

Investors rights under Section 5, and provided further that:

(a) The Investor may acquire Voting Stock without regard to the foregoing limitation, and such limitation shall be suspended, but not terminated, if and for as long as (i) a tender or exchange offer is made and is not withdrawn or terminated by another person or group to purchase or exchange for cash or other consideration any Voting Stock that, if accepted or if otherwise successful, would result in such person or group beneficially owning or having the right to acquire shares of Voting Stock with aggregate Voting Power of more than thirty percent (30%) of the Total Voting Power of the Company then in effect (not counting for these purposes any shares of Voting Stock of the Company originally acquired (where such Shares or shares exchanged with the Company in respect thereof, are still held) by such person or group from the Investor or any Majority Owned Subsidiary), and such offer is not withdrawn or terminated prior to the Investor making an offer to acquire Voting Stock or acquiring Voting Stock; provided, however, that the foregoing standstill limitation will be reinstated once any such tender or exchange offer is withdrawn or terminated, (ii) another person or group hereafter acquires Voting

Stock with aggregate Voting Power of more than twenty percent (20%) of the Total Voting Power of the Company then in effect (not counting for these purposes any shares of Voting Stock of the Company originally acquired (where such Shares or shares exchanged with the Company in respect thereof, are still held) by such person or group from the Investor or any Majority Owned Subsidiary), where such person or group files a Schedule 13D (under the rules promulgated under Section 13(d) under the Securities and Exchange Act of 1934, as such rules and section are in effect on the date hereof), or other similar or successor schedule or form, indicating that such person's or group's holdings exceed twenty percent (20%); provided, however, that the foregoing standstill limitation will be reinstated once the percentage of Total Voting Power beneficially owned by such other person or group falls below twenty percent (20%); (iii) another person or group hereafter acquires Voting Stock that results in such person or group being required to file a Schedule 13G, or other similar or successor schedule or form, indicating that such other person or group beneficially owns or has the right to acquire Voting Stock with aggregate Voting Power of more than twenty-five percent (25%) of the Total Voting Power of the Company (not counting for these purposes any shares of Voting Stock of the Company originally acquired (where such Shares or shares exchanged with the Company in respect thereof, are still held) by such person or group from the Investor or any Majority Owned Subsidiary); provided, however, that the foregoing standstill limitation will be reinstated once the percentage of Total Voting Power beneficially owned by such other person or group falls below twenty-five percent (25%); or (iv) another credible person or group orally or in writing contacts the Company and advises the Company of such person's or group's intention to commence a tender or exchange offer that, if so commenced, would result in a suspension pursuant to clause (i) above (e.g., a "bear hug" offer); provided, however, that the foregoing standstill limitation will be reinstated if such intention is withdrawn in writing or other reasonable evidence of such withdrawal is provided to the Investor. The Company shall notify the Investor in writing of the occurrence of any event described in clauses (i) through (iv) of the immediately preceding sentence as soon as practicable following the Company's becoming aware of any such event, and in any case, shall provide the Investor written notice of any such event within two (2) business days of the Company's being aware of the occurrence of any such event.

(b) The Investor will not be obliged to dispose of any Voting Stock to the extent that the aggregate percentage of the Total Voting Power of the Company represented by Voting Stock beneficially owned by the Investor or which the Investor has a right to acquire is increased beyond the Standstill Percentage (i) as a result of a recapitalization of the Company or a repurchase or exchange of securities by the Company or any other action taken by the Company or its affiliates; (ii) as the result of acquisitions of Voting Stock made during the period when the Investor's "standstill" obligations are suspended pursuant to Section 8.1(a); (iii) as a result of an equity index transaction, provided that Investor shall not vote such shares; (iv) by way of stock dividends or other distributions or rights or offerings made available to holders of shares of Voting Stock generally; (v) with the consent of a simple majority of the independent authorized members of the Company's Board of Directors; or (vi) as part of a transaction on behalf of Investor's Defined Benefit Pension Plan, Profit Sharing Retirement Plan, 401(k) Savings Plan, Sheltered Employee Retirement Plan and Sheltered Employee Retirement Plan Plus, or any successor or additional retirement plans thereto (collectively, the "Retirement

Plans") where the Company's shares in such Retirement Plans are voted by a trustee for the benefit of Investor employees or, for those Retirement Plans where Investor controls voting, where Investor agrees not to vote any shares of such Retirement Plan Voting Stock that would cause Investor to exceed the Standstill Percentage.

(c) As used in this Section 8, (i) the term "Voting Stock" means the Common Stock and any other securities issued by the Company having the ordinary power to vote in the election of directors of the Company (other than securities having such power only upon the happening of a contingency that has not occurred), (ii) the term "Voting Power" of any Voting Stock means the number of votes such Voting Stock is entitled to cast for directors of the Company at any meeting of shareholders of the Company, and (iii) the term "Total Voting Power" means the total number of votes which may be cast in the election of directors of the Company at any meeting of shareholders of the Company if all Voting Stock was represented and voted to the fullest extent possible at such meeting, other than votes that may be cast only upon the happening of a contingency that has not occurred. For purposes of this Section 8, the Investor shall not be deemed to have beneficial ownership of any Voting Stock held by a pension plan or other employee benefit program of the Investor if the Investor does not have the power to control the investment decisions of such plan or program.

8.2 Right of First Refusal upon Section 8.1(a) Event. If the Investor or any Majority Owned Subsidiary elects to participate and tender or exchange any of the Shares, the Warrant and/or the Warrant Shares pursuant to any event described in clause (i) of the first sentence of Section 8.1(a), the Investor shall provide written notice of such intention to the Company. The Company shall have five (5) business days from delivery of such notice to elect to purchase all, but not less than all, of such Shares from the Investor or Majority Owned Subsidiary for cash, at the Offer Price (as defined below) per share offered by the person or group in the event described in clause (i), by delivering an irrevocable written election by the Company to purchase such Shares at such price. In the event the Company delivers such written election, the Company shall be obligated to purchase, and the Investor or Majority Owned Subsidiary shall be obligated to sell, such Shares within ten (10) business days of delivery of the Company's written election to the Investor. If the Company fails to deliver such written election within the five (5) business day period described above or fails to purchase such Shares within the ten (10) business day period described above, it shall forfeit its rights under this Section 8.2 with respect to such tender or exchange, regardless whether the terms and conditions of such tender or exchange may subsequently be modified. As used herein, "Offer Price" means (a) in the case of a cash offer, the amount of cash per share to be paid; (b) in the case of a share offer where the shares offered are listed on an exchange or quoted on the Nasdaq National Market, an amount equal to the average of the closing prices of such security's sales on all domestic securities exchanges on which said security may at the time be listed, or, if there have been no sales on any such exchange on such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ National Market as of 4:00 p.m., New York time, or, if on any day such security is not quoted in the NASDAQ National Market, the average of the highest bid and lowest asked prices on such day in the domestic

over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, all determined as of the date written notice is delivered to the Company by the Investor pursuant to the first sentence of this Section 8.2; or (c) in the event of any other tender or exchange offer, the value of the securities and/or other property as set forth in the offer by the person or group making such offer.

8.3 Right of First Refusal. If the Investor intends to sell, in a Privately Negotiated Transaction (as defined below), Voting Stock (including the Voting Stock underlying any portion of the Warrants proposed to be sold) constituting one-third or more of the Voting Stock (including the Voting Stock underlying any such portion of the Warrant) held by the Investor (but only if the number of Shares proposed to be sold is greater than one percent (1%) of the Company's Voting Stock then outstanding), the Investor shall provide written notice thereof to the Company (the "Investor Notice"). The Investor Notice shall specify the number of Shares involved and the proposed price per Share. For a period of ten (10) business days after delivery of the Investor Notice, the Company shall be entitled to elect to purchase all, but not less than all, of the Shares described in the Investor Notice, at the price per share described in such notice, by delivery of a written notice (a "Company Purchase Election") to the Investor irrevocably electing to purchase such Shares and shall have thirty (30) business days to consummate said purchase from the Investor. In the event that the Company has not delivered a Company Purchase Election prior to the expiration of such ten (10) business-day period or has failed to purchase such Shares within said thirty (30) business day period, the Company's right to purchase such Shares shall expire, and the Investor or Majority Owned Subsidiary shall be entitled to sell the Shares described in the Investor Notice for a period of sixty (60) days following the expiration of such 60-day period, but only for a purchase price equal to at least one-hundred percent (100%) of the purchase price set forth in the Investor Notice. In the event the Investor or Majority Owned Subsidiary has not sold such Shares by the end of such 60-day period, the rights of the Company set forth above in this Section 8.3 shall apply to any subsequent sales by the Investor or Majority Owned Subsidiary. Notwithstanding the foregoing, the provisions of this Section 8.3 shall not apply to any sales or other transfers by the Investor to any Majority Owned Subsidiary. As used herein, a "Privately Negotiated Transaction" means a sale by the Investor to an unrelated third party in which the Investor and the third party have directly negotiated the price and terms of such sale.

8.4 Termination of Standstill. The provisions of Sections 8.1 through 8.3 shall terminate on earlier of: (a) the tenth anniversary of the date of this Agreement; or (b) the date when the Investor (together with all Majority Owned Subsidiaries) ceases to beneficially own at least five percent (5%) of the Total Voting Power of the Company; provided, however, that for purposes of determining beneficial ownership, the number of Warrant Shares underlying the unexercised portion of the Warrant shall be included.

8.5 Other Agreements. The Company agrees to require any other purchaser of newly issued Company securities (including, but not limited to, warrants and options) representing at least ten percent (10%) of the voting power of the Company, on an as converted basis, to enter into terms at least as restrictive to such purchaser as those contained in this Section 8.

9. GENERAL PROVISIONS.

9.1 Notices. Any notice required or permitted under this Agreement will be given in writing, shall be effective when received, and shall in any event be deemed received and effectively given upon personal delivery to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, or one (1) business day after deposit with a nationally recognized courier service such as Fedex for next business day delivery, or one (1) business day after facsimile with copy delivered by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof or at such other address as the Investor or the Company may designate by giving at least ten (10) days advance written notice pursuant to this Section 10.1.

(a) if to the Investor, at:	Intel Corporation 2200 Mission College Blvd. Santa Clara, California 95052-8119 Attention: Treasurer, M/S: SC4-210
Telephone No.:	(408) 765-1240
Facsimile No.:	(408) 765-8458
	and Attention: General Counsel, M/S SC4-203
Telephone No.:	(408) 765-1125

Facsimile No.:	(408) 765-7636
with a copy to:	Gibson, Dunn & Crutcher LLP One Montgomery Street Telesis Tower San Francisco, California 94104-4505 Attention: Kenneth R. Lamb
Telephone No.:	(415) 393-8382
Facsimile No.:	(415) 986-5309
(b) if to the Company, at:	Standard Microsystems Corporation 80 Arkay Drive Hauppauge, New York 11788 Attention: Chairman and CEO
Telephone No.:	(516) 434-2803
Facsimile No.:	(516) 273-5550
with a copy to:	Loeb & Loeb L.L.P. 345 Park Avenue New York, New York 10154-0037 Attention: David C. Fischer, Esq.
Telephone No.:	(212) 407-4827
Facsimile No.:	(212) 407-4990

Any party hereto (and such party's permitted assigns) may by notice so given change its address for future notices hereunder. Notice shall conclusively be deemed to have been given when personally delivered or when deposited in the mail in the manner set forth above. Any notice provided to the Investor in accordance with this Section 10.1 shall be deemed to have also been given to any Majority Owned Subsidiary, and any notice provided by the Investor to the Company shall also be deemed notice by its Majority Owned Subsidiaries, and they shall be bound thereby.

9.2 Entire Agreement. This Agreement, together with all the Exhibits hereto, constitutes and contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof.

9.3 Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of Delaware, excluding that body of law relating to conflict of laws and choice of law.

9.4 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

9.5 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their permitted successors and assigns, any rights or remedies under or by reason of this Agreement.

9.6 Successors And Assigns. Subject to the provisions of Section 6.1, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

9.7 Captions. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement.

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

9.9 Adjustments for Stock Splits, Etc. Wherever in this Agreement there is a reference to a specific number of shares of Common Stock of the Company, then, upon the occurrence of any subdivision, combination or stock dividend of Common Stock, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the affect on the outstanding shares of such class or series of stock by such subdivision, combination or stock dividend.

9.10 Competition. Nothing set forth herein, or in the Purchase Agreement or Warrant, shall be deemed to preclude, limit or restrict the Company's or the Investor's ability to compete with the other.

[The remainder of this page is intentionally left blank.]

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

STANDARD MICROSYSTEMS CORPORATION	INTEL CORPORATION
By: _______________________	By: _______________________
Name: _____________________	Name: _____________________
Title: ____________________	Title: ____________________

[Signature Page to Investor Rights Agreement]

EXHIBIT 4

PRESS RELEASE OF
STANDARD MICROSYSTEMS CORPORATION

STANDARD MICROSYSTEMS ANNOUNCES INTEL EQUITY INVESTMENT AS THE TWO COMPANIES AGREE TO COOPERATE IN THE DEVELOPMENT OF NEXT-GENERATION INPUT/OUTPUT COMPONENTS FOR THE PERSONAL COMPUTER INDUSTRY

HAUPPAUGE, N.Y. (March 18, 1997)--Standard Microsystems Corporation (NASDAQ:SMSC) announced today that Intel Corporation of Santa Clara, California (NASDAQ:INTC) has entered into agreements with Standard Microsystems, a supplier of leading-edge input/output semiconductor integrated circuits. Intel will also make an equity investment in Standard Microsystems. Under the terms of agreements recently signed by the companies, Intel and Standard Microsystems will work cooperatively on the integration of new semiconductor input/output (I/O) integrated circuits, which have been specifically designed to work with Intel's latest microprocessors and core logic chip sets, into selected Intel personal computer motherboard designs through the end of 1997. The two companies have also agreed to cooperate on a family of proprietary low-pin-count I/O devices for future applications.

Standard Microsystems expects to supply these I/O integrated circuit components to customers around the world, including Intel's own personal computer motherboard division, Intel's motherboard licensees and major personal computer manufacturers. As a result, Standard Microsystems anticipates that the total amount of business that it will do with Intel and Intel's licensees should increase.

Under the agreements, Intel will purchase just under a 10% interest in Standard Microsystems Corporation, buying approximately 1,540,000 shares of Standard Microsystems' common stock directly from the Company at a price of $9.50 per share. Intel will also receive warrants to purchase an additional 10% interest in Standard Microsystems and certain anti-dilutive rights.

Speaking for Standard Microsystems Corporation, Mr. Paul Richman, the Company's Chairman of the Board and Chief Executive Officer, indicated that "Over the past few years, despite intense competition, Standard Microsystems has become one of the leading architects and suppliers of input/output circuits to the worldwide personal computer industry. We have always had a very good relationship with Intel, a company that I personally have an enormous amount of respect for, and this new cooperative effort with them should help us considerably in our efforts to establish Standard Microsystems' advanced input/output devices as worldwide industry standards. We look forward to working more closely with Intel in this and other areas over the years ahead."

Standard Microsystems Corporation (NASDAQ:SMSC) is based in Hauppauge, New York and has offices worldwide, including locations in North America, Australia, Asia, Europe, Japan and Latin America. Standard Microsystems' Component Products Division supplies metal-oxide-semiconductor/very-large-scale-integrated (MOS/VLSI) circuit components for personal computers, local area networks (LANs)and embedded control systems. The Company's System Products Division provides a broad range of networking solutions for scaling, managing and connecting local area networks, including LAN adapters, LAN hubs, LAN switches and network management software. Additional information concerning Standard Microsystems Corporation is available from its site on the World Wide Web at http://www.smc.com

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Except for historical information contained herein, the matters discussed in this announcement are forward-looking statements that involve risks and uncertainties, including the timely development and market acceptance of new products, the impact of competitive products and pricing, the effect of changing economic conditions, and such risks and uncertainties as are detailed from time to time in the company's SEC reports, including the Annual Report filed on Form 10-K and the

Quarterly Reports filed on Form 10-Q.

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EXHIBIT 5

SIGNATURE AUTHORITY

[INTEL CORPORATE ADDRESS]

[INTEL LOGO]

March 7, 1997

TO WHOM IT MAY CONCERN:

I will be out of the office on sabbatical from Monday, March 10 through Tuesday, May 6, 1997. In my absence, Peter N. Detkin, Director of Litigation, will have full signature authority.

Sincerely,

/s/F. Thomas Dunlap, Jr.
- --------------------------
F. Thomas Dunlap, Jr.
Vice President, General Counsel & Secretary