
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

or

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

For the transition period from _____ to _____

Commission file number 0-23621

MKS INSTRUMENTS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

04-2277512
(I.R.S. Employer
Identification No.)

2 Tech Drive, Suite 201, Andover, Massachusetts
(Address of principal executive offices)

01810
(Zip Code)

Registrant's telephone number, including area code (978) 645-5500

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 29, 2016, the registrant had 53,373,754 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

MKS INSTRUMENTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 357,855	\$ 227,574
Short-term investments	308,768	430,663
Trade accounts receivable, net	113,472	101,883
Inventories, net	151,650	152,631
Other current assets	27,388	26,760
Total current assets	959,133	939,511
Property, plant and equipment, net	67,561	68,856
Goodwill	199,999	199,703
Intangible assets, net	42,575	44,027
Other assets	21,392	21,250
Total assets	<u>\$ 1,290,660</u>	<u>\$ 1,273,347</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 28,076	\$ 23,177
Accrued compensation	20,983	28,424
Income taxes payable	3,510	4,024
Other current liabilities	45,372	35,359
Total current liabilities	97,941	90,984
Other liabilities	21,650	21,482
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred Stock, \$0.01 par value per share, 2,000,000 shares authorized; none issued and outstanding	—	—
Common Stock, no par value, 200,000,000 shares authorized; 53,305,017 and 53,199,720 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	113	113
Additional paid-in capital	745,840	744,725
Retained earnings	434,803	427,214
Accumulated other comprehensive loss	(9,687)	(11,171)
Total stockholders' equity	<u>1,171,069</u>	<u>1,160,881</u>
Total liabilities and stockholders' equity	<u>\$ 1,290,660</u>	<u>\$ 1,273,347</u>

The accompanying notes are an integral part of the consolidated financial statements.

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MKS INSTRUMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net revenues:		
Products	\$ 153,621	\$ 186,096
Services	30,060	27,743
Total net revenues	<u>183,681</u>	<u>213,839</u>
Cost of revenues:		
Cost of products	85,352	98,652
Cost of services	20,416	18,141
Total cost of revenues (exclusive of amortization shown separately below)	<u>105,768</u>	<u>116,793</u>
Gross profit	77,913	97,046
Research and development	17,227	16,680
Selling, general and administrative	33,950	30,867
Acquisition costs	2,494	30
Restructuring	—	788
Amortization of intangible assets	1,683	1,671
Income from operations	22,559	47,010
Interest and other income, net	1,246	504
Income before income taxes	23,805	47,514
Provision for income taxes	6,242	13,728
Net income	<u>\$ 17,563</u>	<u>\$ 33,786</u>
Other comprehensive income:		
Changes in value of financial instruments designated as cash flow hedges, net of tax benefit ⁽¹⁾	\$ (1,546)	\$ (822)
Foreign currency translation adjustments, net of tax of \$0	2,652	(3,206)
Unrealized gain on investments, net of tax expense ⁽²⁾	378	334
Total comprehensive income	<u>\$ 19,047</u>	<u>\$ 30,092</u>
Net income per share:		
Basic	<u>\$ 0.33</u>	<u>\$ 0.63</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.63</u>
Cash dividends per common share	<u>\$ 0.17</u>	<u>\$ 0.165</u>
Weighted average common shares outstanding:		
Basic	<u>53,235</u>	<u>53,214</u>
Diluted	<u>53,563</u>	<u>53,529</u>

(1) Tax benefit was \$1,041 and \$133 for the three months ended March 31, 2016 and 2015, respectively.

(2) Tax expense was \$254 and \$54 for the three months ended March 31, 2016 and 2015, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

MKS INSTRUMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows provided by operating activities:		
Net income	\$ 17,563	\$ 33,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,278	5,532
Stock-based compensation	4,152	3,212
Provision for excess and obsolete inventory	2,948	2,683
Provision for bad debt	17	(172)
Deferred income taxes	347	736
Excess tax benefits from stock-based compensation	(233)	(524)
Other	68	1
Changes in operating assets and liabilities:		
Trade accounts receivable	(10,084)	(19,030)
Inventories	(844)	(12,817)
Income taxes	2,316	2,034
Other current assets	(3,562)	(5,029)
Accrued compensation	(7,086)	(4,930)
Other current and non-current liabilities	7,718	2,735
Accounts payable	4,772	3,587
Other assets	(189)	7,801
Net cash provided by operating activities	<u>23,181</u>	<u>19,605</u>
Cash flows provided by (used in) investing activities:		
Acquisition of businesses, net of cash acquired	—	(9,867)
Purchases of investments	(82,135)	(164,327)
Maturities of investments	76,972	38,205
Sales of investments	128,250	17,414
Purchases of property, plant and equipment	(2,156)	(2,504)
Other	—	5
Net cash provided by (used in) investing activities	<u>120,931</u>	<u>(121,074)</u>
Cash flows used in financing activities:		
Repurchase of common stock	(1,545)	—
Net payments related to employee stock awards	(2,587)	(2,105)
Dividend payments to common stockholders	(9,056)	(8,784)
Excess tax benefits from stock-based compensation	233	524
Net cash used in financing activities	<u>(12,955)</u>	<u>(10,365)</u>
Effect of exchange rate changes on cash and cash equivalents	(876)	(890)
Increase (decrease) in cash and cash equivalents	130,281	(112,724)
Cash and cash equivalents at beginning of period	227,574	305,437
Cash and cash equivalents at end of period	<u>\$ 357,855</u>	<u>\$ 192,713</u>

The accompanying notes are an integral part of the consolidated financial statements.

MKS INSTRUMENTS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1) Basis of Presentation

The terms “MKS” and the “Company” refer to MKS Instruments, Inc. and its subsidiaries. The interim financial data as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 are unaudited; however, in the opinion of MKS, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The condensed consolidated balance sheet presented as of December 31, 2015 has been derived from the consolidated audited financial statements as of that date. The unaudited condensed consolidated financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by United States generally accepted accounting principles (“U.S. GAAP”). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the MKS Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on February 26, 2016.

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, stock-based compensation, inventory, intangible assets, goodwill and other long-lived assets, acquisition expenses, income taxes and investments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

2) Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, “Compensation - Stock Compensation (Topic 718)—Improvements to Employee Share-Based Payment Accounting.” This standard simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of this ASU are effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The Company is currently evaluating the requirements of this ASU and has not yet determined its impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This standard requires the recognition of lease assets and liabilities for all leases, with certain exceptions, on the balance sheet. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the requirements of this ASU and has not yet determined its impact on the Company’s consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments.” This standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are identified, including the cumulative effect of the change in the provisional amount as if the accounting had been completed at the acquisition date. This ASU is effective for annual periods beginning after December 15, 2015, including interim periods within those fiscal years. The Company adopted this ASU in the first quarter of 2016. Adoption of this ASU could have a material impact on the Company’s consolidated financial position and results of operations when accounting for future acquisitions.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330)—Simplifying the Measurement of Inventory.” The amendments in this ASU apply to all inventory that is measured using first-in, first-out or average cost. This standard requires that an entity measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Adoption of this ASU is not expected to have a material impact on the Company’s consolidated statements of financial position and results of operations.

MKS INSTRUMENTS, INC.
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
 (in thousands, except share and per share data)

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” Under this guidance, management will be required to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The provisions of this ASU are effective for annual periods beginning after December 15, 2016, and for annual and interim periods thereafter. This ASU is not expected to have an impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes all existing revenue recognition requirements, including most industry-specific guidance. This standard requires a company to recognize revenue when it transfers goods and services to customers in an amount that reflects the consideration that the company expects to be entitled to in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and assets recognized from costs incurred to obtain or fulfill a contract. This pronouncement is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The Company has not yet selected a transition method. The Company is currently evaluating the requirements of this ASU and has not yet determined its impact on the Company’s consolidated financial statements.

3) Investments

The fair value of investments classified as short-term consists of the following:

	March 31, 2016	December 31, 2015
Available-for-sale investments:		
Time deposits and certificates of deposit	\$ 23,005	\$ 11,892
Bankers’ acceptance drafts	1,646	728
Asset-backed securities	74,057	124,997
Corporate obligations	90,856	165,109
Municipal bonds	4,611	8,355
U.S. treasury obligations	4,360	—
U.S. agency obligations	110,233	119,582
	<u>\$ 308,768</u>	<u>\$ 430,663</u>

The following tables show the gross unrealized gains and (losses) aggregated by investment category for short-term available-for-sale investments:

As of March 31, 2016:	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Short-term investments:				
Available-for-sale investments:				
Time deposits and certificates of deposit	\$ 23,005	\$ —	\$ —	\$ 23,005
Bankers’ acceptance drafts	1,646	—	—	1,646
Asset-backed securities	74,068	27	(38)	74,057
Corporate obligations	90,944	52	(140)	90,856
Municipal bonds	4,604	9	(2)	4,611
U.S. treasury obligations	4,355	5	—	4,360
U.S. agency obligations	110,216	24	(7)	110,233
	<u>\$308,838</u>	<u>\$ 117</u>	<u>\$ (187)</u>	<u>\$308,768</u>

MKS INSTRUMENTS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
(in thousands, except share and per share data)

As of December 31, 2015:	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Short-term investments:				
Available-for-sale investments:				
Time deposits and certificates of deposit	\$ 11,893	\$ —	\$ (1)	\$ 11,892
Bankers acceptance drafts	728	—	—	728
Asset-backed securities	125,271	—	(274)	124,997
Corporate obligations	165,445	5	(341)	165,109
Municipal bonds	8,346	13	(4)	8,355
U.S. agency obligations	119,699	3	(120)	119,582
	<u>\$431,382</u>	<u>\$ 21</u>	<u>\$ (740)</u>	<u>\$430,663</u>

The tables above, which show the gross unrealized gains and (losses) aggregated by investment category for available-for-sale investments as of March 31, 2016 and December 31, 2015, reflect the inclusion within short-term investments of investments with contractual maturities greater than one year from the date of purchase.

Management has the ability, if necessary, to liquidate any of its investments in order to meet the Company's liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase are classified as short-term on the accompanying balance sheets.

Interest income is accrued as earned. Dividend income is recognized as income on the date the stock trades "ex-dividend." The cost of marketable securities sold is determined by the specific identification method. Realized gains or losses are reflected in income and were not material for the three months ended March 31, 2016 and 2015.

MKS INSTRUMENTS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
(in thousands, except share and per share data)

4) Fair Value Measurements

In accordance with the provisions of fair value accounting, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

The fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities assessed as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments or securities or derivative contracts that are valued using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the Company categorizes such assets and liabilities based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

MKS INSTRUMENTS, INC.
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
 (in thousands, except share and per share data)

Assets and liabilities of the Company are measured at fair value on a recurring basis as of March 31, 2016 and are summarized as follows:

Description	March 31, 2016	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	\$ 197,650	\$ 197,650	\$ —	\$ —
Bankers' acceptance drafts	15	—	15	—
Commercial paper	9,999	—	9,999	—
U.S. agency obligations	35,496	—	35,496	—
Available-for-sale investments:				
Time deposits and certificates of deposit	23,005	—	23,005	—
Bankers' acceptance drafts	1,646	—	1,646	—
Asset-backed securities	74,057	—	74,057	—
Corporate obligations	90,856	—	90,856	—
Municipal bonds	4,611	—	4,611	—
U.S. treasury obligations	4,360	—	4,360	—
U.S. agency obligations	110,233	—	110,233	—
Derivatives – currency forward contracts	487	—	487	—
Total assets	<u>\$ 552,415</u>	<u>\$ 197,650</u>	<u>\$ 354,765</u>	<u>\$ —</u>
Liabilities:				
Derivatives – currency forward contracts	<u>\$ 2,193</u>	<u>\$ —</u>	<u>\$ 2,193</u>	<u>\$ —</u>
Reported as follows:				
Assets:				
Cash and cash equivalents ⁽¹⁾	\$ 243,160	\$ 197,650	\$ 45,510	\$ —
Short-term investments	308,768	—	308,768	—
Other current assets	487	—	487	—
Total current assets	<u>\$ 552,415</u>	<u>\$ 197,650</u>	<u>\$ 354,765</u>	<u>\$ —</u>
Liabilities:				
Other current liabilities	<u>\$ (2,193)</u>	<u>\$ —</u>	<u>\$ (2,193)</u>	<u>\$ —</u>

(1) The cash and cash equivalent amounts presented in the table above do not include cash of \$102,950 and non-negotiable time deposits of \$11,745 as of March 31, 2016.

MKS INSTRUMENTS, INC.
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
 (in thousands, except share and per share data)

Assets and liabilities of the Company are measured at fair value on a recurring basis as of December 31, 2015 and are summarized as follows:

Description	December 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	\$ 106,099	\$ 106,099	\$ —	\$ —
Bankers acceptance drafts	11	—	11	—
Corporate obligations	330	—	330	—
Available-for-sale investments:				
Time deposits and certificates of deposit	11,892	—	11,892	—
Bankers' acceptance drafts	728	—	728	—
Asset-backed securities	124,997	—	124,997	—
Corporate obligations	165,109	—	165,109	—
Municipal bonds	8,355	—	8,355	—
U.S. agency obligations	119,582	—	119,582	—
Derivatives – currency forward contracts	1,486	—	1,486	—
Total assets	<u>\$ 538,589</u>	<u>\$ 106,099</u>	<u>\$ 432,490</u>	<u>\$ —</u>
Liabilities:				
Derivatives – currency forward contracts Total liabilities	<u>\$ 263</u>	<u>\$ —</u>	<u>\$ 263</u>	<u>\$ —</u>
Reported as follows:				
Assets:				
Cash and cash equivalents ⁽¹⁾	\$ 106,440	\$ 106,099	\$ 341	\$ —
Short-term investments	430,663	—	430,663	—
Other current assets	1,486	—	1,486	—
Total current assets	<u>\$ 538,589</u>	<u>\$ 106,099</u>	<u>\$ 432,490</u>	<u>\$ —</u>
Liabilities:				
Other current liabilities	<u>\$ 263</u>	<u>\$ —</u>	<u>\$ 263</u>	<u>\$ —</u>

(1) The cash and cash equivalents amounts presented in the table above do not include cash of \$110,118 and non-negotiable time deposits of \$11,016 as of December 31, 2015.

Money Market Funds

Money market funds are cash and cash equivalents and are classified within Level 1 of the fair value hierarchy.

Available-For-Sale Investments

As of March 31, 2016, available-for-sale investments consisted of time deposits and drafts denominated in the Euro currency, certificates of deposit, bankers' acceptance drafts, asset-backed securities (which include auto loans, credit card receivables and equipment trust receivables), corporate obligations, municipal bonds, U.S. treasury obligations and U.S. agency obligations.

The Company measures its debt and equity investments at fair value. The Company's available-for-sale investments are classified within Level 1 and Level 2 of the fair value hierarchy.

MKS INSTRUMENTS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
(in thousands, except share and per share data)

Derivatives

As a result of the Company's global operating activities, the Company is exposed to market risks from changes in foreign currency exchange rates, which may adversely affect its operating results and financial position. When deemed appropriate, the Company minimizes its risks from foreign currency exchange rate fluctuations through the use of derivative financial instruments. The principal market in which the Company executes its foreign currency contracts is the institutional market in an over-the-counter environment with a relatively high level of price transparency. The market participants usually are large commercial banks. The forward foreign currency exchange contracts are valued using broker quotations, or market transactions and are classified within Level 2 of the fair value hierarchy.

5) Derivatives

The Company enters into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments and those utilized as economic hedges. The Company operates internationally and, in the normal course of business, is exposed to fluctuations in interest rates and foreign exchange rates. These fluctuations can increase the costs of financing, investing and operating the business. The Company has used derivative instruments, such as forward contracts, to manage certain foreign currency exposure.

By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions, for which no collateral is required. The Company has policies to monitor the credit risk of these counterparties. While there can be no assurance, the Company does not anticipate any material non-performance by any of these counterparties.

The Company hedges a portion of its forecasted foreign currency-denominated intercompany sales of inventory, over a maximum period of eighteen months, using forward foreign exchange contracts accounted for as cash-flow hedges related to Japanese, South Korean, British, Euro and Taiwanese currencies. To the extent these derivatives are effective in off-setting the variability of the hedged cash flows, and otherwise meet the hedge accounting criteria, changes in the derivatives' fair value are not included in current earnings but are included in other comprehensive income (loss) ("OCI") in stockholders' equity. These changes in fair value will subsequently be reclassified into earnings, as applicable, when the forecasted transaction occurs. To the extent that a previously designated hedging transaction is no longer an effective hedge, any ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period it occurs. The cash flows resulting from forward exchange contracts are classified in the consolidated statements of cash flows as part of cash flows from operating activities. The Company does not enter into derivative instruments for trading or speculative purposes.

To the extent the hedge accounting criteria is not met, the related foreign currency forward contracts are considered as economic hedges and changes in the fair value of these contracts are recorded immediately in earnings in the period in which they occur. These include hedges that are used to reduce exchange rate risks arising from the change in fair value of certain foreign currency-denominated assets and liabilities (i.e., payables, receivables) and other economic hedges where the hedge accounting criteria were not met.

MKS INSTRUMENTS, INC.
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
 (in thousands, except share and per share data)

As of March 31, 2016 and December 31, 2015, the Company had outstanding forward foreign exchange contracts with gross notional values of \$65,796 and \$89,989, respectively. The following tables provide a summary of the primary net hedging positions and corresponding fair values held as of March 31, 2016 and December 31, 2015:

Currency Hedged (Buy/Sell)	March 31, 2016	
	Gross Notional Value	Fair Value(1) Asset/(Liability)
U.S. Dollar/Japanese Yen	\$ 19,664	\$ (1,333)
U.S. Dollar/South Korean Won	26,906	(208)
U.S. Dollar/Euro	7,600	(286)
U.S. Dollar/U.K. Pound Sterling	2,950	128
U.S. Dollar/Taiwan Dollar	8,676	(7)
Total	<u>\$ 65,796</u>	<u>\$ (1,706)</u>

(1) Represents the fair value of the net (liability) asset amount included in the consolidated balance sheet.

Currency Hedged (Buy/Sell)	December 31, 2015	
	Gross Notional Value	Fair Value(1) Asset/(Liability)
U.S. Dollar/Japanese Yen	\$ 26,848	\$ (136)
U.S. Dollar/South Korean Won	34,777	915
U.S. Dollar/Euro	10,987	19
U.S. Dollar/U.K. Pound Sterling	4,587	61
U.S. Dollar/Taiwan Dollar	12,790	364
Total	<u>\$ 89,989</u>	<u>\$ 1,223</u>

(1) Represents the fair value of the net (liability) asset amount included in the consolidated balance sheet.

The following table provides a summary of the fair value amounts of the Company's derivative instruments:

Derivatives Designated as Hedging Instruments	March 31, 2016	December 31, 2015
Derivative assets:		
Forward exchange contracts	\$ 487	\$ 1,486
Derivative liabilities:		
Forward exchange contracts	(2,193)	(263)
Total net derivative (liabilities) assets designated as hedging instruments(1)	<u>\$ (1,706)</u>	<u>\$ 1,223</u>

(1) The derivative asset of \$487 and derivative liability of \$2,193 are classified in other current assets and other current liabilities in the consolidated balance sheet as of March 31, 2016. The derivative asset of \$1,486 and derivative liability of \$263 are classified in other current assets and other current liabilities in the consolidated balance sheet as of December 31, 2015. These foreign exchange contracts are subject to a master netting agreement with one financial institution. However, the Company has elected to record these contracts on a gross basis in the balance sheet.

The net amount of existing gains as of March 31, 2016 that the Company expects to reclassify from OCI into earnings within the next twelve months is immaterial.

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The following table provides a summary of the (losses) gains on derivatives designated as hedging instruments:

Derivatives Designated as Cash Flow Hedging Instruments	Three Months Ended March 31,	
	2016	2015
Forward exchange contracts:		
Net loss recognized in OCI(1)	\$ (3,418)	\$ (2,090)
Net gain reclassified from accumulated OCI into income(2)	\$ 696	\$ 1,193

- (1) Net change in the fair value of the effective portion classified in OCI.
 (2) Effective portion classified in cost of products for the three months ended March 31, 2016 and 2015. The tax effect of the gains or losses reclassified from accumulated OCI into income is immaterial.

The following table provides a summary of the (losses) gains on derivatives not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Three Months Ended March 31,	
	2016	2015
Forward exchange contracts:		
Net (loss) gain recognized in income(1)	\$ (565)	\$ 98

- (1) The Company enters into foreign exchange contracts to hedge against changes in the balance sheet for certain subsidiaries. These derivatives are not designated as hedging instruments and gains or losses from these derivatives are recorded immediately in selling, general and administrative expenses.

6) Inventories

Inventories consist of the following:

	March 31, 2016	December 31, 2015
Raw materials	\$ 78,707	\$ 78,352
Work-in-process	24,665	23,297
Finished goods	48,278	50,982
	<u>\$ 151,650</u>	<u>\$ 152,631</u>

7) Acquisitions

Newport Corporation

See Note 18 for information on the acquisition of Newport Corporation.

Precisive, LLC

On March 17, 2015, the Company acquired Precisive, LLC (“Precisive”) for \$12,085, net of cash acquired of \$435. The purchase price included a deferred payment amount of \$2,600 to cover any potential indemnification claims, which amount will be paid to the sellers after 15 months assuming there are no indemnification claims. Precisive is an innovative developer of optical analyzers based on Tunable Filter Spectroscopy, which provide real-time gas analysis in the natural gas and hydrocarbon processing industries, including refineries, hydrocarbon processing plants, gas-to-power machines, biogas processes and fuel gas transportation and metering, while delivering customers a lower total cost of ownership.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Current assets	\$ 693
Non-current assets	18
Intangible assets	5,110
Goodwill	7,042
Total assets acquired	<u>12,863</u>
Total current liabilities assumed	(343)
Fair value of assets acquired and liabilities assumed	<u>12,520</u>
Less cash acquired	(435)
Total purchase price, net of cash acquired	<u>\$12,085</u>

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Substantially all of the purchase price is deductible for tax purposes. The following table reflects the allocation of the acquired intangible assets and related estimates of useful lives. These acquired intangibles will be amortized on a straight-line basis, which approximates the pattern of use.

Order backlog	\$ 50	18 months
Customer relationships	1,430	8 years
Exclusive patent license	2,600	10 years
Trade names	210	10 years
Developed technology	820	10 years
	<u>\$5,110</u>	

The fair value of the acquired intangibles was determined using the income approach. This acquisition resulted in a purchase price that exceeded the estimated fair value of tangible and intangible assets, the excess amount of which was allocated to goodwill. The Company believes the amount of goodwill relative to identifiable intangible assets relates to several factors including: (1) potential buyer-specific synergies related to market opportunities for a combined product offering; (2) potential to leverage the Company's sales force and intellectual property to attract new customers and revenue; and (3) potential to strengthen and expand into new but complementary markets, including targeting new applications such as natural gas processing, hydrocarbon processing and other oil and gas segments.

The results of this acquisition were included in the Company's consolidated operations beginning on March 17, 2015. Precise is included in the Company's Instruments, Control and Vacuum Products group and the Advanced Manufacturing Capital Equipment reportable segment.

8) Goodwill and Intangible Assets

Goodwill

The Company's methodology for allocating the purchase price relating to purchase acquisitions is determined through established and generally accepted valuation techniques. Goodwill is measured as the excess of the cost of the acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. The Company assigns assets acquired (including goodwill) and liabilities assumed to one or more reporting units as of the date of acquisition. Typically acquisitions relate to a single reporting unit and thus do not require the allocation of goodwill to multiple reporting units. If the products obtained in an acquisition are assigned to multiple reporting units, the goodwill is distributed to the respective reporting units as part of the purchase price allocation process.

Goodwill and purchased intangible assets with indefinite useful lives are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The process of evaluating the potential impairment of goodwill and intangible assets requires significant judgment. The Company regularly monitors current business conditions and other factors including, but not limited to, adverse industry or economic trends, restructuring actions and lower projections of profitability that may impact future operating results.

The changes in the carrying amount of goodwill and accumulated impairment (loss) during the three months ended March 31, 2016 and year ended December 31, 2015 were as follows:

	2016			2015		
	Gross Carrying Amount	Accumulated Impairment (Loss)	Net	Gross Carrying Amount	Accumulated Impairment (Loss)	Net
Beginning balance at January 1	\$339,117	\$ (139,414)	\$199,703	\$331,795	\$ (139,414)	\$192,381
Acquired goodwill ⁽¹⁾	—	—	—	8,017	—	8,017
Foreign currency translation	296	—	296	(695)	—	(695)
Ending balance at March 31, 2016 and December 31, 2015	<u>\$339,413</u>	<u>\$ (139,414)</u>	<u>\$199,999</u>	<u>\$339,117</u>	<u>\$ (139,414)</u>	<u>\$199,703</u>

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- (1) During 2015, the Company recorded \$7,042 of goodwill related to the acquisition of Precise. During the second quarter of 2015, the Company recorded a purchase accounting adjustment of \$975 primarily related to an inventory valuation adjustment related to the acquisition of Granville-Phillips.

Intangible Assets

Components of the Company's intangible assets are comprised of the following:

As of March 31, 2016:	Gross	Accumulated Amortization	Foreign Currency Translation	Net
Completed technology	\$101,200	\$ (82,939)	\$ (142)	\$18,119
Customer relationships	37,251	(17,251)	105	20,105
Patents, trademarks, trade names and other ⁽¹⁾	30,396	(26,056)	11	4,351
	<u>\$168,847</u>	<u>\$ (126,246)</u>	<u>\$ (26)</u>	<u>\$42,575</u>

As of December 31, 2015	Gross	Accumulated Amortization	Foreign Currency Translation	Net
Completed technology (1)	\$101,200	\$ (82,330)	\$ (272)	\$18,598
Customer relationships (1)	37,251	(16,345)	10	20,916
Patents, trademarks, trade names and other (1)	30,396	(25,888)	5	4,513
	<u>\$168,847</u>	<u>\$ (124,563)</u>	<u>\$ (257)</u>	<u>\$44,027</u>

- (1) During 2015, the Company recorded \$5,110 of separately identified intangible assets related to the acquisition of Precise, of which \$820 was completed technology, \$1,430 was customer relationships and \$2,860 was patents, trademarks, trade names and other.

Aggregate amortization expense related to acquired intangibles for the three months ended March 31, 2016 and 2015 was \$1,683 and \$1,671, respectively. Estimated amortization expense for each of the remaining fiscal years is as follows:

Year	Amount
2016 (remaining)	\$4,990
2017	6,601
2018	6,586
2019	6,543
2020	6,489
2021	4,709
Thereafter	6,657

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9) Other Assets

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Other Current Assets:		
Income tax receivable	\$ 6,233	\$ 8,682
Prepaid income tax	6,562	4,755
VAT tax receivable	186	3,264
Prepaid service and support	3,290	2,970
Other	11,117	7,089
Total other current assets	<u>\$ 27,388</u>	<u>\$ 26,760</u>
Other Assets:		
Deferred tax assets, net	\$ 19,139	\$ 19,252
Other	2,253	1,998
Total other assets	<u>\$ 21,392</u>	<u>\$ 21,250</u>

10) Other Liabilities

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Other Current Liabilities:		
VAT payable	\$ 5,221	\$ 3,075
Customer prepayments	2,621	1,741
Product warranties	5,039	5,205
Deferred revenue	7,832	7,189
Other	24,659	18,149
Total other current liabilities	<u>\$ 45,372</u>	<u>\$ 35,359</u>
Other Liabilities:		
Long-term income tax payable	\$ 3,832	\$ 4,483
Accrued compensation	13,939	13,395
Other	3,879	3,604
Total other liabilities	<u>\$ 21,650</u>	<u>\$ 21,482</u>

11) Debt

The Company's Japanese subsidiary has lines of credit and short-term borrowing arrangements with two financial institutions, which arrangements generally expire and are renewed at three-month intervals. The lines of credit provided for aggregate borrowings as of March 31, 2016 of up to an equivalent of \$20,455 U.S. dollars. One of the borrowing arrangements has an interest rate based on the Tokyo Interbank Offer Rate at the time of borrowing and the other has an interest rate based on the Japanese Short-term Prime Lending Rate. There were no borrowings outstanding under these arrangements at March 31, 2016 and December 31, 2015.

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12) Product Warranties

The Company records the estimated costs to fulfill customer warranty obligations upon the recognition of the related revenue. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by shipment volume, product failure rates, utilization levels, material usage, and supplier warranties on parts delivered to the Company. Should actual product failure rates, utilization levels, material usage, or supplier warranties on parts differ from the Company's estimates, revisions to the estimated warranty liability would be required. The product warranty liability is included in other current liabilities in the consolidated balance sheets.

Product warranty activities were as follows:

	Three Months Ended March 31,	
	2016	2015
Beginning of period	\$ 5,205	\$ 6,266
Provision for product warranties	783	1,109
Direct charges to warranty liability	(984)	(1,244)
Foreign currency translation	35	(67)
End of period	<u>\$ 5,039</u>	<u>\$ 6,064</u>

13) Income Taxes

The Company's effective tax rate for the three months ended March 31, 2016 and 2015 was 26.2% and 28.9%, respectively. The effective tax rate for the three months ended March 31, 2016 was lower than the U.S. statutory tax rate primarily due to the geographic mix of income and profits earned by the Company's international subsidiaries being taxed at rates lower than the U.S. statutory tax rate, the deduction for domestic production activities, and the federal research credit offset by state income taxes. The effective tax rate for the three months ended March 31, 2015 was lower than the U.S. statutory tax rate primarily due to the impact of lower tax rates on foreign income and the deduction for domestic production activities.

As of March 31, 2016, the total amount of gross unrecognized tax benefits, which excludes interest and penalties, was approximately \$3,712. At December 31, 2015, the total amount of gross unrecognized tax benefits, which excludes interest and penalties, was approximately \$4,332. The net decrease from December 31, 2015 was primarily attributable to a release of reserves for uncertain tax positions due to the expiration of the statute of limitations related to a previously open tax year. As of March 31, 2016, if these benefits were recognized in a future period, the timing of which is not estimable, the net unrecognized tax benefit of \$3,707, excluding interest and penalties, would impact the Company's effective tax rate. The Company accrues interest expense, and if applicable, penalties, for any uncertain tax positions. Interest and penalties are classified as a component of income tax expense. As of March 31, 2016 and December 31, 2015, the Company had accrued interest on unrecognized tax benefits of approximately \$125 and \$157, respectively.

Over the next 12 months it is reasonably possible that the Company may recognize approximately \$1,469 of previously net unrecognized tax benefits related to various U.S. federal, state and foreign tax positions primarily as a result of the expiration of certain statutes of limitations.

The Company and its subsidiaries are subject to examination by U.S. federal, state and foreign tax authorities. The United States Internal Revenue Service commenced an examination of the Company's U.S. federal tax filings for tax years 2011 through 2013 during the quarter ended March 31, 2015. The audit was effectively settled during the three months ended December 31, 2015 upon the Company's acceptance of the income tax examination changes. As part of the audit the Company consented to extend the U.S. statute of limitations for tax year 2011 until September 30, 2016.

The U.S. statute of limitations remains open for tax years 2011 through present. The statute of limitations for the Company's tax filings in other jurisdictions varies between fiscal years 2008 through present.

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14) Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2016	2015
Numerator:		
Net income	\$ 17,563	\$ 33,786
Denominator:		
Shares used in net income per common share – basic	53,235,000	53,214,000
Effect of dilutive securities:		
Stock options, restricted stock and employee stock purchase plan	328,000	315,000
Shares used in net income per common share – diluted	53,563,000	53,529,000
Net income per common share:		
Basic	\$ 0.33	\$ 0.63
Diluted	\$ 0.33	\$ 0.63

Basic earnings per share (“EPS”) is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding (using the treasury stock method) if securities containing potentially dilutive common shares (stock options and restricted stock units) had been converted to such common shares, and if such assumed conversion is dilutive.

As of March 31, 2016, restricted stock units related to an aggregate of approximately 737,000 shares were outstanding. For the three months ended March 31, 2016 and 2015, there were no weighted-average restricted stock units that would have an anti-dilutive effect on EPS, and would thus need to be excluded from the computation of diluted weighted-average shares.

15) Stockholder’s EquityStock Repurchase Program

On July 25, 2011, the Company’s Board of Directors approved a share repurchase program for the repurchase of up to an aggregate of \$200,000 of its outstanding common stock from time to time in open market purchases, privately negotiated transactions or through other appropriate means. The timing and quantity of any shares repurchased depends upon a variety of factors, including business conditions, stock market conditions, debt agreement limitations and business development activities, including, but not limited to, merger and acquisition opportunities. These repurchases may be commenced, suspended or discontinued at any time without prior notice.

During the three months ended March 31, 2016, the Company repurchased approximately 45,000 shares of its common stock for \$1,545, or an average price of \$34.50 per share. During the three months ended March 31, 2015, the Company did not repurchase any shares of common stock.

Cash Dividends

Holders of the Company’s common stock are entitled to receive dividends when they are declared by the Company’s Board of Directors. During the three months ended March 31, 2016, the Company’s Board of Directors declared a cash dividend of \$0.17 per share, which dividends totaled \$9,056. During the three months ended March 31, 2015, the Board of Directors authorized a cash dividend of \$0.165 per share, which dividends totaled \$8,784.

On May 2, 2016, the Company’s Board of Directors declared a quarterly cash dividend of \$0.17 per share to be paid on June 10, 2016 to shareholders of record as of May 30, 2016. Future dividend declarations, if any, as well as the record and payment dates for such dividends, are subject to the final determination of the Company’s Board of Directors.

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16) Business Segment, Geographic Area, Product and Significant Customer Information

The Company develops, manufactures, sells and services products that measure, control, power and monitor critical parameters of advanced manufacturing processes. The Company's Chief Operating Decision Maker ("CODM") utilizes consolidated financial information to make decisions about allocating resources and assessing performance for the entire Company. In addition, certain disaggregated financial information is also provided to the CODM, which is used in the decision making process to assess performance. Based upon the information provided to the CODM, the Company has determined it has four reportable segments.

The Company's reportable segments are Advanced Manufacturing Capital Equipment, Global Service, Asia Region Sales and Other. The Company has reported corporate expenses and certain intercompany pricing transactions in a Corporate and Eliminations reconciling column.

The Advanced Manufacturing Capital Equipment segment includes the development, manufacturing and sales of instruments and control products, power and reactive gas products, materials delivery products and vacuum products, all of which are utilized in semiconductor processing and other similar advanced manufacturing processes. Sales in this segment include both external sales and intercompany product sales, which are recorded at transfer prices in accordance with applicable tax requirements.

The Global Service segment includes the worldwide servicing of instruments and control products, power and reactive gas products, materials delivery products and vacuum products, all of which are utilized in semiconductor processing and other similar advanced manufacturing processes. It also includes sales of custom fabrication services.

The Asia Region Sales segment mainly resells products from the Advanced Manufacturing Capital Equipment and Other segments into Asia regions.

The Other segment includes operating segments that are not required to be reported separately as a reportable segment and includes sales for products that are re-sold from the Advanced Manufacturing Capital Equipment into Europe regions as well as sales from other operating segments.

The Company derives its segment results directly from the manner in which results are reported in its management reporting system. The accounting policies that the Company uses to derive reportable segment results are substantially the same as those used for external reporting purposes except that a substantial portion of the sales of the Advanced Manufacturing Capital Equipment and Other segments are intercompany sales to the regions at tax-based transfer prices and certain significant costs, including stock-based compensation and management incentive compensation, are not allocated to the segments and are included in Corporate and Eliminations. The CODM reviews several metrics of each operating segment, including net revenues and gross profit (loss).

The Company does not maintain balance sheets for the majority of its operating segments and, as such, amounts have not been allocated to the reportable segments. The Company does not disclose external or intersegment revenues separately by reportable segment as this information is not presented to the CODM for decision making purposes.

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The following is net revenues by reportable segment:

	<u>Three Months Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Advanced Manufacturing Capital Equipment	\$ 153,570	\$ 179,233
Global Service	30,060	27,743
Asia Region Sales(1)	43,848	55,377
Other	16,327	21,216
Corporate and Eliminations	(60,124)	(69,730)
	<u>\$ 183,681</u>	<u>\$ 213,839</u>

The following is a reconciliation of segment gross profit to consolidated net income:

	<u>Three Months Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Gross profit by reportable segment:		
Advanced Manufacturing Capital Equipment	\$ 67,630	\$ 78,688
Global Service	9,644	9,603
Asia Region Sales(1)	2,413	6,920
Other	4,370	6,843
Corporate and Eliminations	(6,144)	(5,008)
Total gross profit by reportable segment	<u>77,913</u>	<u>97,046</u>
Operating expenses:		
Research and development	17,227	16,680
Selling, general and administrative	33,950	30,867
Acquisition costs	2,494	30
Restructuring	—	788
Amortization of intangible assets	1,683	1,671
Income from operations	<u>22,559</u>	<u>47,010</u>
Interest and other income, net	1,246	504
Income before income taxes	23,805	47,514
Provision for income taxes	6,242	13,728
Net income	<u>\$ 17,563</u>	<u>\$ 33,786</u>

- (1) The Asia Region Sales segment does not represent total geographical Asia financial information. This sales operation only represents the sales from the resale of Advanced Manufacturing Capital Equipment and Other segment products in their respective regions. The Advanced Manufacturing Capital Equipment and Other segments both have sales in this region as well. Accordingly, total geographical sales include sales from multiple reportable segments.

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The following is capital expenditures by reportable segment for the three months ended March 31, 2016 and 2015:

	Advanced Manufacturing Capital Equipment	Global Service	Asia Region Sales	Other	Corporate and Eliminations	Total
Three Months Ended March 31, 2016:						
Capital expenditures	\$ 1,389	\$ 39	\$ 81	\$ 28	\$ 619	\$2,156
Three Months Ended March 31, 2015:						
Capital expenditures	\$ 1,522	\$ 122	\$ 42	\$ 74	\$ 744	\$2,504

The following is depreciation and amortization by reportable segment for the three months ended March 31, 2016 and 2015:

	Advanced Manufacturing Capital Equipment	Global Service	Asia Region Sales	Other	Corporate and Eliminations	Total
Three Months Ended March 31, 2016:						
Depreciation and amortization	\$ 4,111	\$ 255	\$ 89	\$244	\$ 579	\$5,278
Three Months Ended March 31, 2015:						
Depreciation and amortization	\$ 4,247	\$ 256	\$ 85	\$310	\$ 634	\$5,532

Goodwill associated with each of our reportable segments is as follows:

	March 31, 2016	December 31, 2015
Reportable segment:		
Advanced Manufacturing Capital Equipment	\$ 174,344	\$ 174,344
Global Service	19,826	19,826
Asia Region Sales	—	—
Other	6,228	6,228
Foreign currency translation	(399)	(695)
Total goodwill	\$ 199,999	\$ 199,703

Worldwide Product Information

Because the reportable segment information above does not reflect worldwide sales of the Company's products, the Company groups its products into three groups of similar products based upon the similarity of product function. Worldwide net revenue for each group of products is as follows:

	Three Months Ended March 31,	
	2016	2015
Instruments, Control and Vacuum Products	\$ 94,478	\$ 110,436
Power and Reactive Gas Products	77,116	88,499
Analytical Solutions Products	12,087	14,904
	\$ 183,681	\$ 213,839

Sales of Instruments, Control and Vacuum Products and Power and Reactive Gas Products are included in the Company's Advanced Manufacturing Capital Equipment, Asia Region Sales, Global Service and Other segments because the products are sold through those segments. Sales of the Analytical Solutions Products are included in the Asia Region Sales, Global Service and Other segments because the products are sold through those segments.

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Geographic

Information about the Company’s operations in different geographic regions is presented in the tables below. Net revenues to unaffiliated customers are based on the location in which the sale originated. Transfers between geographic areas are at negotiated transfer prices and have been eliminated from consolidated net revenues.

	Three Months Ended March 31,	
	2016	2015
Net revenues:		
United States	\$ 94,218	\$ 120,181
Korea	20,550	32,072
Japan	16,236	17,256
Asia (excluding Korea and Japan)	33,456	23,683
Europe	19,221	20,647
	<u>\$ 183,681</u>	<u>\$ 213,839</u>
	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Long-lived assets:(1)		
United States	\$ 55,620	\$ 56,594
Europe	5,584	5,783
Asia	8,612	8,952
	<u>\$ 69,816</u>	<u>\$ 71,329</u>

(1) Long-lived assets include property, plant and equipment, net and certain other long-term assets, excluding long-term tax related accounts.

Major Customers

The Company had two customers with net revenues greater than 10% of total net revenues in the periods shown as follows:

	Three Months Ended March 31,	
	2016	2015
Applied Materials, Inc.	18.8%	17.4%
LAM Research Corporation	17.1%	12.1%

17) Commitments and Contingencies

On March 9, 2016, a putative class action lawsuit captioned Dixon Chung v. Newport Corp., et al, Case No. A-16-733154-C, was filed in the District Court, Clark County, Nevada on behalf of a putative class of stockholders of Newport Corporation (“Newport”) for claims related to the February 22, 2016 Agreement and Plan of Merger (the “Merger Agreement”) between the Company, Newport and PSI Equipment, Inc., a Nevada corporation and a wholly owned subsidiary of the Company, which was merged with Newport on April 29, 2016 and is the surviving corporation of such merger (“Merger Sub”). The complaint names as defendants the Company, Newport, Merger Sub, and certain current and former members of Newport’s former board of directors. The complaint alleges that the named directors breached their fiduciary duties to Newport’s stockholders by agreeing to sell Newport through an inadequate and unfair process, which led to inadequate and unfair consideration, and by agreeing to unfair deal protection devices. The complaint also alleges that the Company, Newport, and Merger Sub aided and abetted the named directors’ alleged breaches of their fiduciary duties. The complaint seeks injunctive relief, including to enjoin or rescind the Merger Agreement, monetary damages, and an award of attorneys’ and other fees and costs, among other relief. On March 25, 2016, the plaintiff in the Chung action filed an amended complaint, which adds certain allegations, including that the definitive proxy statement filed by Newport on March 29, 2016 (the “Proxy”) omitted material information. The amended complaint also names as defendants the Company, Newport, Merger Sub, and then-current members of Newport’s board of directors.

Also on March 25, 2016, a second putative class action complaint captioned Hubert C. Pincon v. Newport Corp., et al., Case No. A-16-734039-B, was filed in the District Court, Clark County, Nevada, on behalf of a putative class of Newport’s stockholders for claims related to the Merger Agreement. The complaint names as defendants the Company, Newport, and Merger Sub and the

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (continued)
(in thousands, except share and per share data)

members of Newport's former board of directors. It alleges that the named directors breached their fiduciary duties to Newport's stockholders by agreeing to sell Newport through an inadequate and unfair process, which led to inadequate and unfair consideration, by agreeing to unfair deal protection devices, and by omitting material information from the Proxy. The complaint also alleges that the Company, Newport, and Merger Sub aided and abetted the named directors' alleged breaches of their fiduciary duties. The complaint seeks injunctive relief, including to enjoin or rescind the Merger Agreement, and an award of attorneys' and other fees and costs, among other relief.

On April 14, 2016, the Court granted plaintiffs' motion to consolidate the Pincon and Chung actions and appointed counsel in the Pincon action as lead counsel. Also on April 14, the Court granted plaintiffs' motion for expedited discovery and scheduled a hearing on plaintiffs' anticipated motion for a preliminary injunction for April 25, 2016. On April 20, 2016, plaintiffs filed a motion to vacate the hearing on their anticipated motion for a preliminary injunction and notified the Court that they did not presently intend to file a motion for a preliminary injunction regarding the Merger Agreement. On April 22, 2016, the Court vacated the hearing on plaintiffs' anticipated motion for a preliminary injunction.

The Company believes that the claims asserted in the complaints have no merit and the Company, Newport, Merger Sub and the named directors intend to defend vigorously against these claims.

We are also subject to various other legal proceedings and claims, which have arisen in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's results of operations, financial condition or cash flows.

18) Subsequent Events

Acquisition of Newport Corporation

On April 29, 2016, the Company completed its acquisition of Newport pursuant to the Merger Agreement (the "Newport Merger"). At the effective time of the Merger and pursuant to the terms and conditions of the Merger Agreement, each share of Newport's common stock issued and outstanding as of immediately prior to the effective time of the Newport Merger was converted into the right to receive \$23.00 in cash, without interest and subject to deduction for any required withholding tax.

The aggregate consideration paid by the Company to the former Newport stockholders was approximately \$905,000, excluding related transaction fees and expenses and repayment of approximately \$93,000 of Newport's U.S. indebtedness outstanding as of immediately prior to the effective time of the Newport Merger. The Company funded the payment of the aggregate consideration with a combination of the Company's available cash on hand and the proceeds from the Company's senior secured term loan facility described below.

The Company was not able to include certain required disclosures in its quarterly report on Form 10-Q for the three months ended March 31, 2016 because the information necessary to complete the preliminary purchase price allocation related to the acquisition was not yet available.

In connection with the completion of the Newport Merger, the Company entered into a term loan credit agreement with Barclays Bank PLC as administrative agent and collateral agent, that provided senior secured financing of \$780,000, subject to increase in accordance with the terms of the term loan credit agreement.

In connection with the completion of the Newport Merger, the Company also entered into an asset-based credit agreement with Deutsche Bank AG New York Branch as administrative agent and collateral agent, that provides senior secured financing of up to \$50,000, subject to a borrowing base limitation, none of which has been drawn down by the Company to date.

Newport is a global supplier of advanced-technology products and systems to customers in the scientific research and defense/security, microelectronics, life and health sciences and industrial manufacturing markets.

Investment in Reno Sub-Systems, Inc.

On April 27, 2016, the Company invested \$9,300 for a minority interest in Reno Sub-Systems, Inc., a Delaware corporation, which operates in the field of semiconductor process equipment instrumentation.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When used herein, the words "believes," "anticipates," "plans," "expects," "estimates," "would," "will," "intends" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect management's current opinions and are subject to certain risks and uncertainties that could cause results to differ materially from those stated or implied. While we may elect to update forward looking statements in the future, we specifically disclaim any obligation to do so even if our estimates or expectations change. Risks and uncertainties include, but are not limited to those discussed in our Annual Report on Form 10-K for the year ended December 31, 2015 in the section entitled "Risk Factors" as referenced in Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q.

Overview

We are a global provider of instruments, subsystems and process control solutions that measure, control, power, monitor and analyze critical parameters of advanced manufacturing processes to improve process performance and productivity. We also provide services relating to the maintenance and repair of our products, software maintenance, installation services and training.

Our products are derived from our core competencies in pressure measurement and control, materials delivery, gas composition analysis, control and information technology, power and reactive gas generation and vacuum technology. Our products are used in diverse markets, applications and processes. Our primary served markets are manufacturers of capital equipment for semiconductor devices, and for other thin film applications including flat panel displays, solar cells and light emitting diodes ("LEDs"), data storage media and other advanced coatings. We also leverage our technology into other markets with advanced manufacturing applications including medical equipment, pharmaceutical manufacturing, energy generation and environmental monitoring.

We have a diverse base of customers that includes manufacturers of semiconductor capital equipment and semiconductor devices, thin film capital equipment used in the manufacture of flat panel displays, LEDs, solar cells, data storage media, analysis metrology and other coating applications; and other industrial, medical, pharmaceutical manufacturing, energy generation, environmental monitoring and other advanced manufacturing companies, as well as university, government and industrial research laboratories. For the three months ended March 31, 2016 and 2015, approximately 73% and 71% of our net revenues, respectively, were from sales to semiconductor capital equipment manufacturers and semiconductor device manufacturers. We expect that sales to semiconductor capital equipment manufacturers and semiconductor device manufacturers will continue to account for a substantial portion of our sales.

Our reportable segments are Advanced Manufacturing Capital Equipment, Global Service, Asia Region Sales and Other. We report corporate expenses and certain intercompany pricing transactions in a Corporate and Eliminations reconciling column.

The Advanced Manufacturing Capital Equipment segment includes the development, manufacture and sales of instruments and control products, power and reactive gas products and vacuum products, all of which are utilized in semiconductor processing and other similar advanced manufacturing processes. Sales in this segment include both external sales and intercompany product sales, which are recorded at transfer prices in accordance with applicable tax requirements.

The Global Service segment includes the worldwide servicing of instruments and control products, power and reactive gas products and vacuum products, all of which are utilized in semiconductor processing and other similar advanced manufacturing processes. It also includes sales of custom fabrication services.

The Asia Region Sales segment mainly resells products from the Advanced Manufacturing Capital Equipment and Other segments into Asia regions.

The Other segment includes operating segments that are not required to be reported separately as a reportable segment and includes sales for products that are re-sold from the Advanced Manufacturing Capital Equipment into Europe regions as well as sales from other operating segments.

Net revenues from semiconductor capital equipment manufacture and semiconductor device manufacture customers decreased by 11% for the three months ended March 31, 2016, compared to the same period in the prior year. However, net revenues have increased by 18% for the three months ended March 31, 2016, compared to the three months ended December 31, 2015 due to volume increases as we have seen a recent improvement in the semiconductor market. The semiconductor capital equipment industry is subject to rapid demand shifts, which are difficult to predict, and we are uncertain as to the timing or extent of future demand or any future weakness in the semiconductor capital equipment industry.

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Our net revenues sold to customers in other advanced markets, which exclude semiconductor capital equipment and semiconductor device product applications, decreased by 22% for the three months ended March 31, 2016, compared to the same period in the prior year and decreased by 16% for the three months ended March 31, 2016, compared to the three months ended December 31, 2015. Revenues from customers in other advanced markets are made up of many different markets, including general industrial, solar, film, medical, analysis metrology and other markets. Some of these markets are project-based and our revenues can fluctuate quarter to quarter. The decrease for the three months ended March 31, 2016, compared to the same period in the prior year, was primarily attributed to decreases in the medical, thin film, coating & data storage and LED markets.

A significant portion of our net revenues is from sales to customers in international markets. For the three months ended March 31, 2016 and 2015, international net revenues accounted for approximately 49% and 44% of our net revenues, respectively. A significant portion of our international net revenues were in Korea and Japan. We expect that international net revenues will continue to represent a significant percentage of our total net revenues.

Recent Events

Acquisition of Newport Corporation

On April 29, 2016, we completed our acquisition of Newport Corporation (“Newport”) pursuant to the Merger Agreement (the “Newport Merger”). At the effective time of the Newport Merger and pursuant to the terms and conditions of the Newport Merger Agreement, each share of Newport’s common stock issued and outstanding as of immediately prior to the effective time of the Newport Merger was converted into the right to receive \$23.00 in cash, without interest and subject to deduction for any required withholding tax. We paid to the former Newport stockholders aggregate consideration of approximately \$905 million, excluding related transaction fees and expenses and repayment of approximately \$93 million of Newport’s U.S. indebtedness outstanding as of immediately prior to the effective time of the Newport Merger. We funded the payment of the aggregate consideration with a combination of our available cash on hand and the proceeds from the senior secured term loan facility described below.

In connection with the completion of the Newport Merger, we entered into a term loan credit agreement with Barclays Bank PLC as administrative agent and collateral agent, that provided senior secured financing of \$780 million, subject to increase in accordance with the terms of the term loan credit agreement.

In connection with the completion of the Newport Merger, we also entered into an asset-based credit agreement with Deutsche Bank AG New York Branch as administrative agent and collateral agent, that provides senior secured financing of up to \$50 million, subject to a borrowing base limitation, none of which has been drawn down to date.

Newport is a global supplier of advanced-technology products and systems to customers in the scientific research and defense/security, microelectronics, life and health sciences and industrial manufacturing markets.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported. There have been no material changes in our critical accounting policies since December 31, 2015. For further information, please see the discussion of critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2015 in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates.”

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Results of Operations

The following table sets forth, for the periods indicated, the percentage of total net revenues of certain line items included in our consolidated statements of operations and comprehensive income data.

	Three Months Ended March 31,	
	2016	2015
Net revenues:		
Product	83.6%	87.0%
Services	16.4	13.0
Total net revenues	100.0	100.0
Cost of revenues:		
Cost of product revenues	46.5	46.1
Cost of service revenues	11.1	8.5
Total cost of revenues (exclusive of amortization shown separately below)	57.6	54.6
Gross profit	42.4	45.4
Research and development	9.4	7.8
Selling, general and administrative	18.4	14.4
Acquisition costs	1.4	—
Restructuring	—	0.4
Amortization of intangible assets	0.9	0.8
Income from operations	12.3	22.0
Interest income, net	0.7	0.2
Income from operations before income taxes	13.0	22.2
Provision for income taxes	3.4	6.4
Net income	9.6%	15.8%

Net Revenues

(dollars in millions)	Three Months Ended March 31,		
	2016	2015	% Change
Product	\$153.6	\$186.1	(17.5)%
Service	30.1	27.7	8.4
Total net revenues	\$183.7	\$213.8	(14.1)%

Product revenues decreased \$32.5 million during the three months ended March 31, 2016, compared to the same period in the prior year. The decrease was primarily attributed to net revenues from semiconductor capital equipment manufacture and semiconductor device manufacture customers, which decreased by \$19.3 million, primarily due to volume, during the three months ended March 31, 2016, compared to the same period in the prior year. The remainder of the decrease was primarily attributed to product revenue decreases in our other advanced markets including medical, thin film, coating & data storage and LED markets for the three months ended March 31, 2016, compared to the same period in the prior year.

Service revenues consisted mainly of fees for services related to the maintenance and repair of our products and software services, installation and training. Service revenues increased \$2.4 million during the three months ended March 31, 2016, compared to the same period in the prior year. The increase for the three months ended March 31, 2016, compared to the same period in the prior year, was primarily attributed to increases in our semiconductor market.

Total international net revenues, including product and services, was \$89.5 million for the three months ended March 31, 2016, or 48.7% of net revenues, compared to \$93.7 million for the three months ended March 31, 2015 or 43.8% of net revenues. The decrease of \$4.2 million for the three months ended March 31, 2016, compared to the same period in the prior year, related mainly to a decrease in net revenues in Korea, where we sell primarily into the semiconductor market.

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The following is our net revenues by reportable segment:

(dollars in millions)	Three Months Ended March 31,		
	2016	2015	% Change
Net revenues:			
Advanced Manufacturing Capital Equipment	\$153.6	\$179.2	(14.3)%
Global Service	30.1	27.7	8.4
Asia Region Sales	43.8	55.4	(20.8)
Other	16.3	21.2	(23.0)
Corporate and Eliminations	(60.1)	(69.7)	13.8
Total net revenues	\$183.7	\$213.8	(14.1)%

Net revenues decreased in our Asia Region Sales and Advanced Manufacturing Capital Equipment segments by 20.8% and 14.3% for the three months ended March 31, 2016, respectively, compared to the same period in the prior year. These decreases were primarily attributed to decreases in net revenues from semiconductor capital equipment manufacture and semiconductor device manufacture customers, which decreased by 10.9% for the three months ended March 31, 2016, compared to the same period in the prior year. The Asia Region Sales segment was also impacted by negative changes in foreign exchange rates.

Net revenues in our Global Service segment increased by 8.4% for the three months ended March 31, 2016, compared to the same period in the prior year. The increase was primarily attributed to an increase in service revenues from semiconductor capital equipment manufacture and semiconductor device manufacture customers, partially offset by a decrease in service revenues from other advanced markets.

Net revenues in our Other segment decreased by 23% for the three months ended March 31, 2016, compared to the same period in the prior year. This segment, which has operations mainly in Europe, is not impacted as much by the semiconductor capital equipment market. The decrease for the three months ended March 31, 2016 was primarily attributed to decreases in our other advanced markets as well as the negative impact of changes in foreign exchange rates.

Gross Profit

Gross profit as a percentage of net revenues:	Three Months Ended March 31,		
	2016	2015	% Points Change
Product	44.4%	47.0%	(2.6)%
Service	32.1	34.7	(2.6)
Total gross profit	42.4%	45.4%	(3.0)%

Gross profit as a percentage of net product revenues decreased by 2.6 percentage points for the three months ended March 31, 2016, compared to the same period in the prior year. The decrease was primarily attributed to a decrease of 2.5 percentage points due to lower revenue volumes.

Gross profit as a percentage of net service revenues decreased by 2.6 percentage points for the three months ended March 31, 2016, compared to the same period in the prior year. The decrease was primarily attributed to a decrease of 5.5 percentage points due to unfavorable product mix, partially offset by an increase of 3.8 percentage points due to lower overhead costs. Cost of service revenues, including salaries and related expenses and other fixed costs, consists primarily of providing services for repair, software services and training.

The following is gross profit as a percentage of net revenues by reportable segment:

Gross profit:	Three Months Ended March 31,		
	2016	2015	% Points Change
Advanced Manufacturing Capital Equipment	44.0%	43.9%	0.1%
Global Service	32.1	34.7	(2.6)
Asia Region Sales	5.5	12.5	(7.0)
Other	26.8	32.3	(5.5)
Corporate and Eliminations	10.2	7.2	3.0
Total gross profit	42.4%	45.4%	(3.0)%

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Gross profit for the Advanced Manufacturing Capital Equipment segment remained flat for the three months ended March 31, 2016, compared to the same period in the prior year. The negative impact of lower revenue volumes was offset by favorable product mix.

Gross profit for the Asia Region Sales segment decreased by 7.0 percentage points for the three months ended March 31, 2016, compared to the same period in the prior year. This decrease was primarily attributed to transfer pricing, unfavorable product mix and unfavorable changes in foreign exchange rates.

Gross profit for the Other segment decreased by 5.5 percentage points for the three months ended March 31, 2016, compared to the same period in the prior year. This decrease was primarily attributed to unfavorable product mix.

Research and Development

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Research and development expenses	\$17.2	\$16.7	3.3%

Research and development expenses increased \$0.5 million for the three months ended March 31, 2016, compared to the same period in the prior year. The increase was primarily attributed to an increase of \$0.7 million in compensation-related expenses.

Our research and development efforts are primarily focused on developing and improving our instruments, components, subsystems and process control solutions to improve process performance and productivity.

We have thousands of products and our research and development efforts primarily consist of a large number of projects related to these products, none of which is individually material to us. Current projects typically have durations of 3 to 30 months depending upon whether the product is an enhancement of existing technology or a new product. Our current initiatives include projects to enhance the performance characteristics of older products, to develop new products and to integrate various technologies into subsystems. These projects support in large part the transition in the semiconductor industry to smaller integrated circuit geometries and in the flat panel display and solar markets to larger substrate sizes, which require more advanced process control technology. Research and development expenses consist primarily of salaries and related expenses for personnel engaged in research and development, fees paid to consultants, material costs for prototypes and other expenses related to the design, development, testing and enhancement of our products.

We believe that the continued investment in research and development and ongoing development of new products are essential to the expansion of our markets, and we expect to continue to make significant investment in research and development activities. We are subject to risks if products are not developed in a timely manner, due to rapidly changing customer requirements and competitive threats from other companies and technologies. Our success primarily depends on our products being designed into new generations of equipment for the semiconductor industry and other advanced technology markets. We develop products that are technologically advanced so that they are positioned to be chosen for use in each successive generation of semiconductor capital equipment. If our products are not chosen to be designed into our customers' products, our net revenues may be reduced during the lifespan of those products.

Selling, General and Administrative

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Selling, general and administrative expenses	\$34.0	\$30.9	10.0%

Selling, general and administrative expenses increased by \$3.1 million for the three months ended March 31, 2016, compared to the same period in the prior year. The increase was primarily attributed to a \$1.5 million increase in compensation-related expenses, including the timing of stock compensation expense as well as the seasonal increase in certain compensation costs. In addition, in 2016, we re-classified the impact of foreign exchange from selling, general and administrative expenses to interest and other income, net, which resulted in a \$0.9 million decrease in the selling, general and administrative expenses line item.

Acquisition Costs

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Acquisition costs	\$2.5	\$—	8201.2%

We incurred \$2.5 million of acquisition costs in the three months ended March 31, 2016, which was comprised primarily of legal and professional fees related to the Newport Merger which closed on April 29, 2016. We incurred \$30 thousand of acquisition costs in the three months ended March 31, 2015, which was comprised primarily of legal fees related to our acquisition of Precise, LLC ("Precise") that was completed on March 17, 2015.

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Restructuring

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Restructuring	\$—	\$ 0.8	(100.0)%

Restructuring expense for the three months ended March 31, 2015, included restructuring charges primarily related to severance costs associated with a reduction in workforce of approximately 120 people, primarily at one of our foreign manufacturing sites, as we outsourced a non-core manufacturing process.

Amortization of Intangible Assets

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Amortization of intangible assets	\$ 1.7	\$ 1.7	0.7%

Amortization expense remained flat for the three months ended March 31, 2016, compared to the same period in the prior year.

Interest and Other Income, Net

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Interest and other income, net	\$ 1.2	\$ 0.5	147.4%

Interest and other income, net increased by \$0.7 million for the three months ended March 31, 2016, compared to the same period in the prior year. The increase is attributed to a change in the mix of our investment portfolio, as well as a larger average investment balance. In addition, there was a foreign exchange gain of \$0.4 million in the three months ended March 31, 2016.

Provision for Income Taxes

<i>(dollars in millions)</i>	Three Months Ended March 31,		
	2016	2015	% Change
Provision for income taxes	\$ 6.2	\$ 13.7	(54.5)%

Our effective tax rate for the three months ended March 31, 2016 and 2015 was 26.2% and 28.9%, respectively. The effective tax rate for the three months ended March 31, 2016 was lower than the U.S. statutory tax rate primarily due to the geographic mix of income and profits earned by the Company's international subsidiaries being taxed at rates lower than the U.S. statutory tax rate, the impact of the deduction for domestic production activities and the federal research credit offset by state income taxes. The effective tax rate for the three months ended March 31, 2015 was lower than the U.S. statutory tax rate due to the impact of lower tax rates on profits earned by our international subsidiaries and the impact of the deduction for domestic production activities.

Our future effective tax rate depends on various factors, including the impact of tax legislation, the geographic composition of our pre-tax income, and changes in tax reserves for unrecognized tax benefits. We monitor these factors and timely adjust our estimates of the effective tax rate accordingly. We expect that the geographic mix of pre-tax income will continue to have a favorable impact on our effective tax rate, however the geographic mix of pre-tax income can change based on multiple factors resulting in changes to the effective tax rate in future periods.

Additionally, the effective tax rate could be adversely affected by changes in the valuation of deferred tax assets and liabilities. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate sufficient future taxable income in the United States.

While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could materially differ from our accrued positions as a result of uncertain and complex application of tax law and regulations. We and our subsidiaries are subject to examination by U.S. federal, state and foreign tax authorities. The United States Internal Revenue Service commenced an examination of our U.S. federal tax filings for open tax years 2011 through 2013 during the three months ended March 31, 2015. This audit was effectively settled during the three months ended December 31, 2015 upon our acceptance of the income tax examination changes. Additionally, the recognition and measurement of certain tax benefits include estimates and judgment by management. Accordingly, we could record additional provisions or benefits for U.S. federal, state, and foreign taxes matters in future periods as new information becomes available.

Liquidity and Capital Resources

Cash and cash equivalents and short-term marketable investments totaled \$666.6 million at March 31, 2016, compared to \$658.2 million at December 31, 2015.

Net cash provided by operating activities was \$23.2 million for the three months ended March 31, 2016 and resulted from net income of \$17.6 million, which included non-cash charges of \$12.6 million, offset by a net increase in working capital of \$7.0 million. The net increase in working capital was primarily due to an increase in trade accounts receivable of \$10.1 million, related to an increase in business activities, a decrease in accrued compensation of \$7.1 million and an increase in other current assets of \$3.6 million. These increases in working capital were partially offset by an increase in accrued liabilities of \$7.7 million, an increase in accounts payable of \$4.8 million and an increase in income taxes of \$2.3 million.

Net cash provided by operating activities was \$19.6 million for the three months ended March 31, 2015 and resulted from net income of \$33.8 million, which included non-cash charges of \$11.4 million, offset by increases in working capital of \$25.6 million. The net increase in working capital was primarily due to an increase in trade accounts receivable of \$19.0 million, an increase in inventories of \$12.8 million, an increase in other current assets of \$5.0 million and a decrease in accrued compensation of \$4.9 million. These increases in working capital were offset by a decrease in other assets of \$7.8 million, an increase in accounts payable of \$3.6 million, an increase in other current and non-current liabilities of \$2.7 million and an increase in net income taxes of \$2.0 million.

Net cash provided by investing activities was \$120.9 million for the three months ended March 31, 2016 and resulted primarily from \$123.1 million of net sale and maturities of short-term investments which was used to partially finance the Newport Merger, partially offset by \$2.2 million in purchases of production-related equipment. Net cash used in investing activities of \$121.1 million for the three months ended March 31, 2015 resulted primarily from \$108.7 million of net purchases of short-term and long-term investments, \$9.9 million of net cash primarily used for the acquisition of Precisive and \$2.5 million in purchases of production related equipment.

Net cash used in financing activities was \$13.0 million for the three months ended March 31, 2016 and resulted primarily from \$9.1 million of dividend payments made to common stockholders, \$2.6 million of net payments related to tax payments for employee stock awards and \$1.5 million used in the repurchase of our common stock. Net cash used in financing activities was \$10.4 million for the three months ended March 31, 2015 and resulted primarily from \$8.8 million of dividend payments made to common stockholders and \$2.1 million of net payments related to tax payments for employee stock awards.

Our Japanese subsidiary has lines of credit and short-term borrowing arrangements with two financial institutions, which arrangements generally expire and are renewed at three month intervals. The lines of credit provided for aggregate borrowings as of March 31, 2016 of up to an equivalent of \$20.5 million U.S. dollars. One of the borrowing arrangements has an interest rate based on the Tokyo Interbank Offer Rate at the time of borrowing and the other has an interest rate based on the Japanese Short-term Prime Lending Rate. There were no borrowings outstanding under these arrangements at March 31, 2016 and December 31, 2015.

On July 25, 2011, our Board of Directors approved a share repurchase program for the repurchase of up to an aggregate of \$200 million of our outstanding common stock from time to time in open market purchases, privately negotiated transactions or through other appropriate means. The timing and quantity of any shares repurchased depends upon a variety of factors, including business conditions, stock market conditions and business development activities, including but not limited to merger and acquisition opportunities. These repurchases may be commenced, suspended or discontinued at any time without prior notice.

During the three months ended March 31, 2016, we repurchased approximately 45,000 shares of our common stock for \$1.5 million, or an average price of \$34.50 per share. During the three months ended March 31, 2015, we did not repurchase any shares of common stock.

During the three months ended March 31, 2016, our Board of Directors declared a cash dividend of \$0.17 per share that totaled \$9.1 million. During the three months ended March 31, 2015, our Board of Directors declared a quarterly cash dividend of \$0.165 that totaled \$8.8 million.

On May 2, 2016, our Board of Directors declared a quarterly cash dividend of \$0.17 per share to be paid on June 10, 2016 to shareholders of record as of May 30, 2016. Future dividend declarations, if any, as well as the record and payment dates for such dividends, are subject to the final determination of our Board of Directors. In addition, under the terms of our senior secured term loan facility and our senior secured asset-based revolving credit facility, we may be restricted from paying dividends under certain circumstances.

Our total cash and cash equivalents and short-term marketable investments at March 31, 2016 consisted of \$335.6 million held in the United States and \$331.0 million held by our foreign subsidiaries, substantially all of which would be subject to tax in the United States if returned to the United States. We believe our existing United States cash and short-term investment balances are adequate to meet domestic operating needs, including estimated working capital, planned capital expenditure requirements and any future cash dividends, if declared, during the next twelve months and the foreseeable future.

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On April 27, 2016, we invested \$9.3 million for a minority interest in Reno Sub-Systems, Inc., which operates in the field of semiconductor process equipment instrumentation.

Acquisition of Newport Corporation

On April 29, 2016, we completed the Newport Merger. At the effective time of the Newport Merger and pursuant to the terms and conditions of the Newport Merger Agreement, each share of Newport's common stock issued and outstanding as of immediately prior to the effective time of the Newport Merger was converted into the right to receive \$23.00 in cash, without interest and subject to deduction for any required withholding tax. We paid to the former Newport stockholders aggregate consideration of approximately \$905 million, excluding related transaction fees and expenses and repayment of approximately \$93 million of Newport's U.S. indebtedness outstanding as of immediately prior to the effective time of the Newport Merger. We funded the payment of the aggregate consideration with a combination of our available cash on hand and the proceeds from the senior secured term loan facility described below.

Senior Secured Term Loan Facility

In connection with the completion of the Newport Merger, we entered into a term loan credit agreement (the "Credit Agreement") with Barclays Bank PLC, as administrative agent and collateral agent, and the lenders from time to time party thereto, that provided senior secured financing of \$780 million, subject to increase in accordance with the Credit Agreement (the "Term Loan Facility"). Borrowings under the Term Loan Facility bear interest per annum at one of the following rates selected by us: (a) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the prime rate quoted in *The Wall Street Journal*, (3) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 1.75%, plus, in each case, an applicable margin of 3.00%; or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, subject to a LIBOR rate floor of 0.75%, plus an applicable margin of 4.00%. The Term Loan Facility was issued with original issue discount of 1.00% of the principal amount of the facility.

Under the Credit Agreement, we are required to prepay outstanding term loans, subject to certain exceptions, with portions of our annual excess cash flow as well as with the net cash proceeds of certain asset sales, certain casualty and condemnation events and the incurrence or issuance of certain debt. We are also required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans made on the closing date, with the balance due on the seventh anniversary of the closing date.

All obligations under the Term Loan Facility are guaranteed by certain of our domestic subsidiaries, and are secured by substantially all of our assets and the assets of such subsidiaries, subject to certain exceptions and exclusions.

The Credit Agreement contains customary representations and warranties, affirmative and negative covenants and provisions relating to events of default. If an event of default occurs, the lenders under the Term Loan Facility will be entitled to take various actions, including the acceleration of amounts due under the Term Loan Facility and all actions permitted to be taken by a secured creditor.

Senior Secured Asset-Based Revolving Credit Facility

In connection with the completion of the Newport Merger, we also entered into an asset-based credit agreement (the "ABL Agreement") with Deutsche Bank AG New York Branch, as administrative agent and collateral agent, the other borrowers from time to time party thereto, and the lenders and letters of credit issuers from time to time party thereto, that provides senior secured financing of up to \$50.0 million, subject to a borrowing base limitation (the "ABL Facility"). The borrowing base for the ABL Facility at any time equals the sum of: (a) 85% of certain eligible accounts; plus (b) subject to certain notice and field examination and appraisal requirements, the lesser of (i) the lesser of (A) 65% of the lower of cost or market value of certain eligible inventory and (B) 85% of the net orderly liquidation value of certain eligible inventory and (ii) 30% of the borrowing base; minus (c) reserves established by the administrative agent; provided that until the administrative agent's receipt of a field examination of accounts receivable the borrowing base shall be equal to 70% of the book value of certain eligible accounts. The ABL Facility includes borrowing capacity in the form of letters of credit up to \$15 million. We have not drawn against the ABL Facility.

Borrowings under the ABL Facility bear interest per annum at one of the following rates selected by us: (a) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the "prime rate" quoted in the *The Wall Street Journal*, and (3) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%, plus, in each case, an initial applicable margin of 0.75% subject to upward or downward adjustment each fiscal quarter; and (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, plus an initial applicable margin of 1.75% subject to upward or downward adjustment each fiscal quarter.

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Under the ABL Facility, we are required to pay a commitment fee in respect of unutilized commitments, which fee is initially 0.375% per annum, subject to downward adjustment. We are also required to prepay outstanding loans and/or cash collateralize letters of credit under certain circumstances as described in the ABL Facility, with no reduction of the commitment amount.

All obligations under the ABL Facility are guaranteed by certain of our domestic subsidiaries, and are secured by substantially all of our assets and the assets of such subsidiaries, subject to certain exceptions and exclusions.

The ABL Credit Agreement also contains customary representations and warranties, affirmative covenants and provisions relating to events of default. If an event of default occurs, the lenders under the ABL Facility will be entitled to take various actions, including the acceleration of amounts due under the ABL Facility and all actions permitted to be taken by a secured creditor. The ABL Credit Agreement also contains negative covenants applicable to us and our subsidiaries, including under certain circumstances based on our excess availability, financial covenants requiring us to maintain a fixed charge coverage ratio of at least 1.0 to 1.0.

Off-Balance Sheet Arrangements

We do not have any financial partnerships with unconsolidated entities, such as entities often referred to as structured finance, special purpose entities or variable interest entities, which are often established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. Accordingly, we have no off-balance sheet arrangements that have or are reasonably expected to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09 “Compensation—Stock Compensation (Topic 718)—Improvements to Employee Share-Based Payment Accounting.” This standard simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of this ASU are effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. We are currently evaluating the requirements of this ASU and have not yet determined its impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This standard requires the recognition of lease assets and liabilities for all leases, with certain exceptions, on the balance sheet. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the requirements of this ASU and have not yet determined its impact on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments.” This standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are identified, including the cumulative effect of the change in the provisional amount as if the accounting had been completed at the acquisition date. This ASU is effective for annual periods beginning after December 15, 2015, including interim periods within those fiscal years. The Company adopted this ASU in the first quarter of 2016. Adoption of this ASU could have a material impact on our consolidated financial position and results of operations when accounting for future acquisitions.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330)—Simplifying the Measurement of Inventory.” The amendments in this ASU apply to all inventory that is measured using first-in, first-out or average cost. This standard requires that an entity measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Adoption of this ASU is not expected to have a material impact on our consolidated statements of financial position and results of operations.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” Under this guidance, management will be required to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The provisions of this ASU are effective for annual periods beginning after December 15, 2016, and for annual and interim periods thereafter. This ASU is not expected to have an impact on our consolidated financial statements.

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In May 2014 the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes all existing revenue recognition requirements, including most industry-specific guidance. This standard requires a company to recognize revenue when it transfers goods and services to customers in an amount that reflects the consideration that the company expects to be entitled to in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and assets recognized from costs incurred to obtain or fulfill a contract. This pronouncement is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We have not yet selected a transition method. We are currently evaluating the requirements of this ASU and have not yet determined its impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information concerning market risk is contained in the section entitled “Quantitative and Qualitative Disclosures About Market Risk” contained in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on February 26, 2016. As of March 31, 2016, there were no material changes in our exposure to market risk from December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On March 9, 2016, a putative class action lawsuit captioned Dixon Chung v. Newport Corp., et al, Case No. A-16-733154-C, was filed in the District Court, Clark County, Nevada on behalf of a putative class of stockholders of Newport Corporation (“Newport”) for claims related to the February 22, 2016 Agreement and Plan of Merger (the “Merger Agreement”) between the Company, Newport and PSI Equipment, Inc., a Nevada corporation and a wholly owned subsidiary of the Company, which was merged with Newport on April 29, 2016 and is the surviving corporation of such merger (“Merger Sub”). The complaint names as defendants the Company, Newport, Merger Sub, and certain current and former members of Newport’s former board of directors. The complaint alleges that the named directors breached their fiduciary duties to Newport’s stockholders by agreeing to sell Newport through an inadequate and unfair process, which led to inadequate and unfair consideration, and by agreeing to unfair deal protection devices. The complaint also alleges that the Company, Newport, and Merger Sub aided and abetted the named directors’ alleged breaches of their fiduciary duties. The complaint seeks injunctive relief, including to enjoin or rescind the Merger Agreement, monetary damages, and an award of attorneys’ and other fees and costs, among other relief. On March 25, 2016, the plaintiff in the Chung action filed an amended complaint, which adds certain allegations, including that the definitive proxy statement filed by Newport on March 29, 2016 (the “Proxy”) omitted material information. The amended complaint also names as defendants the Company, Newport, Merger Sub, and then-current members of Newport’s board of directors.

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Also on March 25, 2016, a second putative class action complaint captioned Hubert C. Pincon v. Newport Corp., et al., Case No. A-16-734039-B, was filed in the District Court, Clark County, Nevada, on behalf of a putative class of the Newport's stockholders for claims related to the Merger Agreement. The complaint names as defendants the Company, Newport, and Merger Sub and the members of Newport's former board of directors. It alleges that the named directors breached their fiduciary duties to Newport's stockholders by agreeing to sell Newport through an inadequate and unfair process, which led to inadequate and unfair consideration, by agreeing to unfair deal protection devices, and by omitting material information from the Proxy. The complaint also alleges that the we Newport, and Merger Sub aided and abetted the named directors' alleged breaches of their fiduciary duties. The complaint seeks injunctive relief, including to enjoin or rescind the Merger Agreement, and an award of attorneys' and other fees and costs, among other relief.

On April 14, 2016, the Court granted plaintiffs' motion to consolidate the Pincon and Chung actions and appointed counsel in the Pincon action as lead counsel. Also on April 14, the Court granted plaintiffs' motion for expedited discovery and scheduled a hearing on plaintiffs' anticipated motion for a preliminary injunction for April 25, 2016. On April 20, 2016, plaintiffs filed a motion to vacate the hearing on their anticipated motion for a preliminary injunction and notified the Court that they did not presently intend to file a motion for a preliminary injunction regarding the Merger Agreement. On April 22, 2016, the Court vacated the hearing on plaintiffs' anticipated motion for a preliminary injunction.

We believe that the claims asserted in the complaints have no merit and we, Newport, Merger Sub and the named directors intend to defend vigorously against these claims.

We are also subject to various other legal proceedings and claims, which have arisen in the ordinary course of business. In our opinion, the ultimate disposition of these matters will not have a material adverse effect on our results of operations, financial condition or cash flows.

ITEM 1A. RISK FACTORS.

Information regarding risk factors affecting the Company's business are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 in the section entitled "Risk Factors." There have been no material changes from the risks disclosed therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table sets forth certain information with respect to repurchases of our common stock during the three months ended March 31, 2016.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (in thousands)
January 1 – January 31, 2016	38,651	\$ 34.52	38,651	\$ 148,183
February 1 – February 29, 2016	6,147	\$ 34.38	6,147	\$ 147,972
March 1 – March 31, 2016	—	\$ —	—	\$ 147,972
Total	44,798	\$ 34.50	44,798	

- (1) On July 25, 2011, our Board of Directors approved a share repurchase program (the “Program”) for the repurchase of up to an aggregate of \$200 million of our common stock from time to time in open market purchases, privately negotiated transactions or through other appropriate means, which we announced on July 27, 2011. The timing and quantity of any shares repurchased will depend upon a variety of factors, including business conditions, stock market conditions, debt agreement limitations and business development activities, including but not limited to merger and acquisition opportunities. These repurchases may be commenced, suspended or discontinued at any time without prior notice.
- (2) We have repurchased approximately 1,770,000 shares of our common stock for approximately \$52.0 million pursuant to the Program since its adoption.

ITEM 6. EXHIBITS.

The exhibits filed as part of this quarterly report on Form 10-Q are listed in the exhibit index immediately preceding the exhibits and are incorporated herein.

SIGNATURES

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

MKS INSTRUMENTS, INC.

May 6, 2016

By: /s/ Seth H. Bagshaw

Seth H. Bagshaw

Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Description</u>
+2.1(1)	Agreement and Plan of Merger, by and among the Registrant, PSI Equipment, Inc. and Newport Corporation, dated February 22, 2016
+3.1(2)	Restated Articles of Organization of the Registrant
+3.2(3)	Articles of Amendment to Restated Articles of Organization, as filed with the Secretary of State of Massachusetts on May 18, 2001
+3.3(4)	Articles of Amendment to Restated Articles of Organization, as filed with the Secretary of State of Massachusetts on May 16, 2002
+3.4(5)	Amended and Restated By-Laws of the Registrant
+10.1(1)	Commitment Letter by and among the Registrant, Barclays Bank PLC, Deutsche Bank Securities Inc., and Deutsche Bank AG New York Branch, dated February 22, 2016
+10.2(6)	Term Loan Credit Agreement, by and among the Registrant, Barclays Bank PLC, as administrative agent and collateral agent, and the lenders from time to time party thereto, dated April 29, 2016
+10.3(6)	ABL Credit Agreement, by and among the Registrant, Deutsche Bank AG New York Branch, as administrative agent and collateral agent, the other borrowers from time to time party thereto, and the lenders and letters of credit issuers from time to time party thereto, dated April 29, 2016
+10.4*(7)	Letter Agreement between the Registrant and Robert J. Phillippy, dated May 2, 2016
10.5*	Newport Corporation's 2006 Performance-Based Stock Incentive Plan
10.6*	Form of Stock Appreciation Right Award Agreement under Newport Corporation's 2006 Performance-Based Stock Incentive Plan
10.7*	Newport Corporation's 2011 Stock Incentive Plan
10.8*	Newport Corporation's Amended and Restated 2011 Stock Incentive Plan
10.9*	Form of Restricted Stock Unit Award Agreement (with performance-based vesting) used under Newport Corporation's 2011 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan
10.10*	Form of Stock Appreciation Right Award Agreement used under Newport Corporation's 2011 Stock Incentive Plan and the Amended and Restated 2011 Stock Incentive Plan
10.11*	Form of Indemnification Agreement between Newport Corporation and Robert J. Phillippy
10.12*	Form of the Registrant's RSU Assumption Agreement for U.S. Employees Relating to Newport Corporation's Amended and Restated 2011 Stock Incentive Plan and 2011 Stock Incentive Plan
10.13*	Form of the Registrant's RSU Assumption Agreement for Employees Outside of the United States Relating to Newport Corporation's Amended and Restated 2011 Stock Incentive Plan and 2011 Stock Incentive Plan
10.14*	Form of the Registrant's SAR Assumption Agreement for U.S. Employees Relating to Newport Corporation's Amended and Restated 2011 Stock Incentive Plan, 2011 Stock Incentive Plan and 2006 Performance-Based Stock Incentive Plan
10.15 *	Form of the Registrant's SAR Assumption Agreement for Employees Outside of the United States Relating to Newport Corporation's Amended and Restated 2011 Stock Incentive Plan, 2011 Stock Incentive Plan and 2006 Performance-Based Stock Incentive Plan
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Labels Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

+ Previously filed

* Management contract or compensatory plan arrangement.

(1) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 23, 2016.

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- (2) Incorporated by reference to the Registration Statement on Form S-4 (File No. 333-49738) filed with the Securities and Exchange Commission on November 13, 2000.
- (3) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
- (4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- (5) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2014.
- (6) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2016.
- (7) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2016.

**NEWPORT CORPORATION
2006 PERFORMANCE-BASED STOCK INCENTIVE PLAN**

The 2006 PERFORMANCE-BASED STOCK INCENTIVE PLAN (the "Plan") is hereby established and adopted this 31st day of March, 2006 (the "Effective Date") by Newport Corporation, a Nevada Corporation (the "Company"). Upon approval of the Plan by the Company's stockholders, the Plan shall replace the Company's 2001 Stock Incentive Plan.

ARTICLE 1.

PURPOSES OF THE PLAN

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors, consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company that is tied to the Company's performance, thereby giving them an interest in the success and increased value of the Company.

ARTICLE 2.

DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means:

(a) with respect to Incentive Options, any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively; and

(b) with respect to Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards, any entity described in paragraph (a) of this Section 2.2 above, plus any other corporation, limited liability company ("LLC"), partnership or joint venture, whether now existing or hereafter created or acquired, with respect to which the Company beneficially owns more than fifty percent (50%) of: (1) the total combined voting power of all outstanding voting securities or (2) the capital or profits interests of an LLC, partnership or joint venture.

2.3 Base Value. "Base Value" shall have the meaning as set forth in Section 8.3 below.

2.4 Board. "Board" means the Board of Directors of the Company.

2.5 Change in Control. "Change in Control" shall mean:

(a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;

(b) A merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity (or the parent of the surviving entity) immediately after such merger or consolidation;

(c) A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger;

(d) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s); or

(e) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.

2.6 Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.7 Committee. “Committee” means a committee of two or more members of the Board appointed to administer the Plan, as set forth in Section 9.1 hereof.

2.8 Common Stock. “Common Stock” means the Common Stock of the Company, subject to adjustment pursuant to Section 4.3 hereof.

2.9 Company. “Company” means Newport Corporation, a Nevada corporation, or any entity that is a successor to the Company.

2.10 Covered Employee. “Covered Employee” means the Chief Executive Officer of the Company (or the individual acting in a similar capacity) and the four (4) other individuals that are the highest compensated executive officers of the Company for the relevant taxable year for whom total compensation is required to be reported to shareholders under the Exchange Act.

2.11 Disability. “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator’s determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.12 DRO. “DRO” means a domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder.

2.13 Effective Date. “Effective Date” means the date on which the Plan was originally adopted by the Board, as set forth on the first page hereof.

2.14 Exchange Act. “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

2.15 Exercise Price. “Exercise Price” means the purchase price per share of Common Stock payable by the Optionee to the Company upon exercise of an Option.

2.16 Fair Market Value. “Fair Market Value” on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day on which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over the counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

2.17 Incentive Option. “Incentive Option” means any Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

2.18 Incentive Option Agreement. “Incentive Option Agreement” means an Option Agreement with respect to an Incentive Option.

2.19 NASD Dealer. “NASD Dealer” means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.20 Nonqualified Option. “Nonqualified Option” means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.7 below, it shall to that extent constitute a Nonqualified Option.

2.21 Nonqualified Option Agreement. “Nonqualified Option Agreement” means an Option Agreement with respect to a Nonqualified Option.

2.22 Option. “Option” means any option to purchase Common Stock granted pursuant to the Plan.

2.23 Option Agreement. “Option Agreement” means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.24 Optionee. “Optionee” means any Participant who holds an Option.

2.25 Participant. “Participant” means an individual or entity that holds an Option, Stock Appreciation Right, shares of Restricted Stock or Restricted Stock Units under the Plan.

2.26 Performance Criteria. “Performance Criteria” means one or more of the following as established by the Committee, which may be stated as a target percentage or dollar amount, a percentage increase over a base period percentage or dollar amount or the occurrence of a specific event or events:

(a) Consolidated, divisional or business unit sales;

(b) Consolidated, divisional or business unit gross margin;

(c) Consolidated, divisional or business unit operating income;

- (d) Divisional or business unit contributed profit;
- (e) Consolidated pre-tax income;
- (f) Earnings before interest, taxes, depreciation and amortization (“EBITDA”);
- (g) Earnings per common share on a fully diluted basis (“EPS”);
- (h) Consolidated net income of the Company divided by the average consolidated common stockholders equity (“ROE”);
- (i) Consolidated cash and cash equivalents derived from either (i) net cash flow from operations, or (ii) net cash flow from operations, financings and investing activities (“Cash Flow”);
- (j) Cost containment or reduction;
- (k) The percentage increase in the market price of the Company’s common stock over a stated period; and
- (l) Individual business objectives.

2.27 Purchase Price. “Purchase Price” means the purchase price payable to purchase a share of Restricted Stock, or a Restricted Stock Unit, which, in the sole discretion of the Administrator, may be zero (0), subject to limitations under applicable law.

2.28 Repurchase Right. “Repurchase Right” means the right of the Company to repurchase either unvested shares of Restricted Stock pursuant to Section 6.6 or to cancel unvested Restricted Stock Units pursuant to Section 7.6.

2.29 Restricted Stock. “Restricted Stock” means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.30 Restricted Stock Award. “Restricted Stock Award” means either the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.31 Restricted Stock Award Agreement. “Restricted Stock Award Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.32 Restricted Stock Unit. “Restricted Stock Unit” means the right to receive one share of Common Stock issued pursuant to Article 7 hereof, subject to any restrictions and conditions as are established pursuant to such Article 7.

2.33 Service Provider. “Service Provider” means a consultant or other person or entity the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company or an Affiliated Company has a significant ownership interest.

2.34 Stock Appreciation Right. “Stock Appreciation Right” means a contractual right granted to a Participant under Section 8 hereof, the exercise or settlement of which entitles the Participant to receive shares of the Company’s Common Stock having a Fair Market Value equal to the difference between the Base Value per share, as set forth in Section 8.3 below, of the right and the Fair Market Value of a share of Common Stock multiplied by the number of shares subject to the right at such time, subject to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Right Agreement.

2.35 Stock Appreciation Right Agreement. “Stock Appreciation Right Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of a Stock Appreciation Right under the Plan.

2.36 Stock Appreciation Rights Holder. “Stock Appreciation Rights Holder” means any Participant who holds a Stock Appreciation Right.

2.37 10% Stockholder. “10% Stockholder” means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3.

ELIGIBILITY

3.1 Incentive Options. Only employees of the Company or of an Affiliated Company (including members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards. Employees of the Company or of an Affiliated Company, members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards under the Plan.

3.3 Section 162(m) Limitation. In no event shall any Participant be granted Options or Stock Appreciation Rights in any one calendar year pursuant to which the aggregate number of shares of Common Stock that may be acquired thereunder exceeds three hundred thousand (300,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof. In no event shall any Participant be granted Restricted Stock Awards in any one calendar year pursuant to which the aggregate number of shares of Common Stock governed by such Restricted Stock Awards exceeds two hundred thousand (200,000), subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof.

ARTICLE 4.

PLAN SHARES

4.1 Shares Subject to the Plan.

(a) The number of shares of Common Stock that may be issued under the Plan shall be six million (6,000,000) shares (which includes any shares of Common Stock available for future issuance under the Company’s 2001 Stock Incentive Plan, as amended, as such plan will be terminated for purposes of future grants upon approval of the Plan by the Company’s stockholders), subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof.

(b) For purposes of the limitation set forth in Section 4.1(a) above, upon the exercise or settlement of an Option or a Stock Appreciation Right, or the issuance or vesting of Restricted Stock or a Restricted Stock Unit, the number of shares reserved for issuance under the Plan will be reduced by the gross number of shares subject to such exercise, settlement, issuance or vesting, and not by the net amount of shares actually issued to the Participant. Such gross amount shall include, in addition to the number of shares issued to the Participant, any shares subject to the award which are surrendered by the Participant or withheld by the Company in satisfaction of tax withholding obligations in connection with the exercise, settlement, issuance or vesting of the Option, Stock Appreciation Right or Restricted Stock Award.

(c) For purposes of the limitation set forth in Section 4.1(a) above, in the event that (i) all or any portion of any Option or Stock Appreciation Right granted under the Plan can no longer under any circumstances be exercised or settled, or (ii) any shares of Common Stock are reacquired by the Company or forfeited by a Participant pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement (excluding any shares subject to an award which are surrendered by a Participant or withheld by the Company in satisfaction of tax withholding obligations in connection with the exercise, settlement, issuance or vesting of an Option, Stock Appreciation Right or Restricted Stock Award), the shares of Common Stock allocable to the unexercised or unsettled portion of such Option or Stock Appreciation Right or the shares so reacquired or forfeited shall again be available for grant or issuance under the Plan.

4.2 Additional Limitations. Subject to Section 4.3 hereof, the following additional maximums are imposed under the Plan:

(a) Except for issuances to members of the Board, the maximum number of shares of Common Stock described in Section 4.1(a) above that may be issued pursuant to Options, Stock Appreciation Rights, Restricted Stock and/or Restricted Stock Units that are not subject to vesting requirements based on Performance Criteria, shall be three hundred thousand (300,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof;

(b) The maximum number of shares of Common Stock that may be issued under the Plan as Incentive Options shall be two million (2,000,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof; and

(c) The maximum number of shares of Common Stock that may be issued as either Restricted Stock or subject to Restricted Stock Units shall be three million (3,000,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.3 hereof.

4.3 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be made by the Administrator to the aggregate number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements and the limits on the number of shares under Sections 3.3, 4.1 and 4.2 all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5.

OPTIONS

5.1 Grant of Stock Options. The Administrator shall have the right to grant pursuant to this Plan Options subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria.

5.2 Option Agreements. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement which shall specify the number of shares subject thereto, vesting provisions relating to such Option, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

5.3 Exercise Price. The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is granted, and (c) if the person to whom an Incentive Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Incentive Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

5.4 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Optionee (provided that shares acquired pursuant to the exercise of options granted by the Company must have been held by the Optionee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the cancellation of indebtedness of the Company to the Optionee; (e) the waiver of compensation due or accrued to the Optionee for services rendered; (f) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option 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; (g) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (h) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

5.5 Term and Termination of Options. Except for issuances of Incentive Options to 10% Stockholders, the term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than seven (7) years after the date it is granted. With respect to the issuance of Incentive Options to 10% Stockholders, the term and provisions for termination of each such Incentive Option shall not exceed five (5) years after the date it is granted.

5.6 Vesting and Exercise of Options. Subject to Section 4.2(a) above, each Option shall vest and become exercisable in one or more installments, at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

5.7 Annual Limit on Incentive Options. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year shall not exceed \$100,000.

5.8 Nontransferability of Options. Except as otherwise provided in this Section 5.8, Options shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Optionee, Options shall be exercisable only by the Optionee. At the discretion of the Committee and in accordance with rules it establishes from time to time, Optionees may be permitted to transfer some or all of their Nonqualified Options to one or more "family members," which is not a "prohibited transfer for value," provided that (i) the Optionee (or such Optionee's estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Nonqualified Option; (ii) the Optionee shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the "family member" or "family members" and their

relationship to the Optionee, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms “family members” and “prohibited transfer for value” have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

5.9 Rights as a Stockholder. An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised and certificates or book entries representing shares purchased upon such exercise have been issued or registered to such person.

5.10 Repricing Prohibited. Subject to Section 4.3 hereof, without the prior approval of the Company’s stockholders, evidenced by a majority of votes cast, neither the Committee nor the Board shall cause the cancellation, substitution or amendment of an Option Agreement that would have the effect of reducing the Exercise Price of such an Option previously granted under the Plan, or otherwise approve any modification to such an Option that would be treated as a “repricing” under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market.

5.11 Compliance with Code Section 409A. Notwithstanding anything in this Article 5 to the contrary, all Option Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 6.

RESTRICTED STOCK

6.1 Issuance of Restricted Stock. The Administrator shall have the right to issue pursuant to this Plan, at a Purchase Price determined by the Administrator, shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

6.2 Restricted Stock Agreements. A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Restricted Stock Award Agreement until the Participant has paid the full Purchase Price, if any, to the Company in the manner set forth in Section 6.3(b) hereof and has executed and delivered to the Company the applicable Restricted Stock Award Agreement. Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

6.3 Purchase Price.

(a) Amount. Restricted Stock may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company’s earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of

compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

6.4 Vesting of Restricted Stock. Subject to Section 4.2(a) above, the Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock may vest.

6.5 Rights as a Stockholder. Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock acquired pursuant to a Restricted Stock Award Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Restricted Stock Award Agreement. Unless the Administrator shall determine otherwise, certificates or book entries evidencing shares of Restricted Stock shall remain in the possession or control of the Company until such shares have vested in accordance with the terms of the Restricted Stock Award Agreement.

6.6 Restrictions. Until vested, shares of Restricted Stock may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide, in the discretion of the Administrator, that the Company may, at the discretion of the Administrator, exercise a Repurchase Right to repurchase at the original Purchase Price the shares of Restricted Stock that have not vested as of the date of termination.

6.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 6 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 7.

RESTRICTED STOCK UNITS

7.1 Grants of Restricted Stock Units. The Administrator shall have the right to grant Restricted Stock Units pursuant to this Plan, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

7.2 Restricted Stock Unit Agreements. A Participant shall have no rights with respect to the Restricted Stock Units covered by a Restricted Stock Award Agreement until the Participant has executed and delivered to the Company the applicable Restricted Stock Award Agreement. Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

7.3 Purchase Price.

(a) Amount. Restricted Stock Units may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

7.4 Vesting of Restricted Stock Units. Subject to Section 4.2(a), the Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock Units may vest.

7.5 Rights as a Stockholder. Holders of Restricted Stock Units shall not be entitled to vote or to receive dividends unless or until they become owners of the shares of Common Stock pursuant to their Restricted Stock Award Agreement and the terms and conditions of the Plan.

7.6 Restrictions. Until vested, Restricted Stock Units may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide that all Restricted Stock Units that have not vested as of such date shall be automatically forfeited by the Participant. However, if, with respect to such unvested Restricted Stock Units the Participant paid a Purchase Price, the Administrator shall have the right, exercisable at the discretion of the Administrator, to exercise a Repurchase Right to cancel such unvested Restricted Stock Units upon payment to the Participant of the original Purchase Price. The Participant shall forfeit such unvested Restricted Stock Units upon the Administrator's exercise of such right.

7.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 7 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 8.

STOCK APPRECIATION RIGHTS

8.1 Grant of Stock Appreciation Rights. The Administrator shall have the right to grant pursuant to this Plan Stock Appreciation Rights, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Stock Appreciation Rights may be granted on a basis that allows for the exercise of the right by the Participant or that provides for the automatic settlement of the right upon a specified date or event.

8.2 Stock Appreciation Right Agreements. Each Stock Appreciation Right granted pursuant to this Plan shall be evidenced by a Stock Appreciation Right Agreement, which shall specify the number of shares subject thereto, vesting provisions relating to such Stock Appreciation Right and the Base Value per share. As soon as is practicable following the grant of a Stock Appreciation Right, a Stock Appreciation Right Agreement shall be duly executed and delivered by or on behalf of the Company to the Stock Appreciation Right Holder to whom such Stock Appreciation Right was granted. Each Stock Appreciation Right Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

8.3 Base Value. The Base Value per share of Common Stock covered by each Stock Appreciation Right shall be determined by the Administrator, except that the Base Value of a Stock Appreciation Right shall not be less than 100% of Fair Market Value of the Common Stock on the date the Stock Appreciation Right is granted.

8.4 Term and Termination of Stock Appreciation Rights. The term and provisions for termination of each Stock Appreciation Right shall be fixed by the Administrator, but no Stock Appreciation Right may be exercisable or subject to settlement more than seven (7) years after the date it is granted.

8.5 Vesting of Stock Appreciation Rights. Subject to Section 4.2(a) above, each Stock Appreciation Right shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

8.6 Exercise or Settlement of Stock Appreciation Rights. A Stock Appreciation Right will entitle the holder, upon exercise or other settlement of the Stock Appreciation Right, as applicable, to receive an amount determined by multiplying: (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise or settlement of the Stock Appreciation Right over the Base Value of such Stock Appreciation Right, by (ii) the number of shares as to which such Stock Appreciation Right is exercised or settled. Upon such exercise or settlement, the Company shall issue to the Stock Appreciation Right Holder a number of shares of Common Stock determined by dividing the amount determined under the preceding sentence by the Fair Market Value of such shares on the date of exercise or settlement, subject to applicable tax withholding requirements and to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Rights Award Agreement.

8.7 Repricing Prohibited. Subject to Section 4.3 hereof, without the prior approval of the Company's stockholders, evidenced by a majority of votes cast, neither the Committee nor the Board shall cause the cancellation, substitution or amendment of a Stock Appreciation Right Award that would have the effect of reducing the Base Value of such a Stock Appreciation Right previously granted under the Plan, or otherwise approve any modification to such a Stock Appreciation Right Award that would be treated as a "repricing" under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market.

8.8 Nontransferability of Stock Appreciation Rights. Except as otherwise provided in this Section 8.8, Stock Appreciation Rights shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Stock Appreciation Rights Holder, Stock Appreciation Rights shall be exercisable only by the Stock Appreciation Rights Holder. At the discretion of the Committee and in accordance with rules it establishes from time to time, Stock Appreciation Rights Holders may be permitted to transfer some or all of their Stock Appreciation Rights to one or more "family members," which is not a "prohibited transfer for value," provided that (i) the Stock Appreciation Rights Holder (or such holder's estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Stock Appreciation Right; (ii) the Stock Appreciation Rights Holder shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the "family member" or "family members" and their relationship to the holder, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms "family members" and "prohibited transfer for value" have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

8.9 Rights as a Stockholder. A Stock Appreciation Rights Holder or permitted transferee of a Stock Appreciation Rights Holder shall have no rights or privileges as a stockholder with respect to any shares covered by a Stock Appreciation Right until such Stock Appreciation Right has been duly exercised or settled and certificates or book entries representing shares issued upon such exercise or settlement have been issued or registered to such person.

8.10 Compliance with Code Section 409A. Notwithstanding anything in this Article 8 to the contrary, all Stock Appreciation Right Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 9.

ADMINISTRATION OF THE PLAN

9.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

9.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options, Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards shall be granted, the number of shares to be represented by each Option or Stock Appreciation Right and the number of shares of Common Stock to be subject to Restricted Stock Awards, and the consideration to be received by the Company upon the exercise of such Options or sale of the Restricted Stock or the Restricted Stock Units governed by such Restricted Stock Awards; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement; (g) to accelerate the vesting of any Option or Stock Appreciation Right or waive any repurchase rights of the Company with respect to Restricted Stock Awards; (h) to extend the expiration date of any Option or Stock Appreciation Right; (i) to amend outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (j) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

9.3 Limitation on Liability. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 10.

CHANGE IN CONTROL

10.1 Options and Stock Appreciation Rights. In order to preserve a Participant's rights with respect to any outstanding Options and Stock Appreciation Rights in the event of a Change in Control of the Company:

(a) Vesting of all outstanding Options and Stock Appreciation Rights shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control unless the Options and Stock Appreciation Rights are to be assumed by the acquiring or successor entity (or parent thereof) or new options or new stock appreciation rights under a new stock incentive program ("New Incentives") are to be issued in exchange therefor, as provided in subsection (b) below.

(b) Vesting of outstanding Options and Stock Appreciation Right Agreements shall not accelerate if and to the extent that: (i) the Options and Stock Appreciation Rights (including the unvested portion thereof) are to be assumed by the acquiring or successor entity (or parent thereof) or new options and stock appreciation rights of comparable value are to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) the Options and Stock Appreciation Rights (including the unvested portions thereof) are to be replaced by the acquiring or successor entity (or parent thereof) with New Incentives containing such terms and provisions as the Administrator in its discretion may consider equitable. If outstanding Options or Stock Appreciation Rights are assumed, or if New Incentives of comparable value are issued in exchange therefor, then each such Option and Stock Appreciation Right or new stock option or new stock appreciation right shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee or Stock Appreciation Rights Holder would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option or Stock Appreciation Right had the Option or Stock Appreciation Right been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of each such Option or new option and the aggregate Base Value of each such Stock Appreciation Right or new stock appreciation right shall remain the same as nearly as practicable.

(c) If any Option or Stock Appreciation Right is assumed by an acquiring or successor entity (or parent thereof) or a New Incentive is issued in exchange therefor pursuant to the terms of a Change in Control transaction, then if so provided in an Option Agreement or a Stock Appreciation Right Award Agreement, the vesting of the Option, the Stock Appreciation Right or the New Incentive shall accelerate if and at such time as the Optionee's or Stock Appreciation Rights Holder's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of the Change in Control, pursuant to such terms and conditions as shall be set forth in the Option Agreement or Stock Appreciation Right Agreement, as the case may be.

(d) If vesting of outstanding Options will accelerate pursuant to subsection (a) above, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

(e) The Administrator shall have the discretion to provide in each Option Agreement and Stock Appreciation Right Agreement other terms and conditions that relate to (i) vesting of such Option or Stock Appreciation Right in the event of a Change in Control, and (ii) assumption of such Options and Stock Appreciation Rights or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option Agreement and Stock Appreciation Agreement, and may be different from and have precedence over the provisions set forth in Sections 10.1(a) - 10.1(d) above.

(f) Outstanding Options and Stock Appreciation Rights shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options or Stock Appreciation Rights are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(g) If outstanding Options or Stock Appreciation Rights will not be assumed by the acquiring or successor entity (or parent thereof), the Administrator shall cause written notice of a proposed Change in Control transaction to be given to Optionees and Stock Appreciation Rights Holders not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

10.2 Restricted Stock Awards. In order to preserve a Participant's rights with respect to any outstanding Restricted Stock Awards in the event of a Change in Control of the Company:

(a) All Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and any shares of Restricted Stock or Restricted Stock Units subject to such terminated Repurchase Rights, or Restricted Stock Units, whether or not subject to such terminated Repurchase Rights shall immediately vest in full, except to the extent that in connection with such Change in Control, the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of Restricted Stock Award Agreements or the substitution of new agreements of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and purchase price.

(b) The Administrator in its discretion may provide in any Restricted Stock Award Agreement that if, upon a Change in Control, the acquiring or successor entity (or parent thereof) assumes such Restricted Stock Award Agreement or substitutes new agreements of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and purchase price), then any Repurchase Right provided for in such Restricted Stock Award Agreement shall terminate, and the shares of Common Stock subject to the terminated Repurchase Right or any substituted shares shall immediately vest in full, if the Participant's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of a Change in Control, pursuant to such terms and conditions as shall be set forth in the Restricted Stock Award Agreement.

ARTICLE 11.

AMENDMENT AND TERMINATION OF THE PLAN

11.1 Amendments. The Board may from time to time alter or amend in such respects as the Board may deem advisable, subject to compliance with applicable laws and the rules of the stock exchange or market system on which the Company's Common Stock is then listed or admitted to trading, and may suspend or terminate the Plan at any time. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Restricted Stock Award Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

11.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options, Stock Appreciation Rights or Restricted Stock Awards may be granted under the Plan thereafter, but Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 12.

CANCELLATION AND RECISSION

12.1 Adverse Acts. Unless otherwise provided in an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Administrator may cancel, terminate, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Options, Stock Appreciation Rights or Restricted Stock Awards at any time if the Participant is not in compliance with all applicable provisions of the Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, and the Plan, or if the Participant engages in any "Adverse Act." For purposes of this Section 12, an "Adverse Act" shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes

competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company in accordance with the Company's policies and any agreement in effect between the Company and the Participant pertaining to confidentiality and/or ownership of intellectual property all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company; (iv) acts that result in termination of the Participant's employment for cause; (v) a material violation of any rules, policies, procedures or guidelines of the Company; or (vi) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company.

12.2 Agreement Upon Exercise or Settlement. Upon exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan. In the event a Participant fails to comply with the provisions of paragraphs (i)-(vi) of Section 12.1 prior to, or during the six (6) months after, any exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, such exercise, settlement, payment or delivery may be rescinded within two (2) years thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set off against the amount of any such gain any amount owed to the Participant by the Company.

ARTICLE 13.

TAX WITHHOLDING

13.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options or Stock Appreciation Rights exercised or settled or, with respect to the issuance of Restricted Stock, the date that the shares are issued, if the Purchaser makes the election set forth in Code Section 83(b), or, if the Purchaser does not make such election, then, with respect to the Restricted Stock Award, as of the date that the applicable restrictions set forth in the Restricted Stock Award Agreement and the Plan lapse. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise or settlement of an Option or a Stock Appreciation Right or as a result of the purchase of or lapse of restrictions on Restricted Stock Awards or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 14.

MISCELLANEOUS

14.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

14.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to interfere with the right of the Company or any Affiliated Company to discharge any Participant at any time.

14.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Restricted Stock Award Agreements, except as otherwise provided herein, will be used for general corporate purposes.

14.4 Annual Reports. During the term of this Plan, the Company will furnish to each Participant who does not otherwise receive such materials, copies of all reports, proxy statements and other communications that the Company distributes generally to its stockholders.

**FORM OF
NEWPORT CORPORATION
STOCK APPRECIATION RIGHT AWARD AGREEMENT**

THIS STOCK APPRECIATION RIGHT AWARD AGREEMENT (the "Agreement") is entered into as of [GRANT DATE] (the "Grant Date"), by and between Newport Corporation, a Nevada corporation (the "Company"), and [GRANTEE NAME] (the "Grantee") pursuant to the Company's 2006 Performance-Based Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

RECITALS

A. Grantee is an employee, director, consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

B. The Company desires to award Stock Appreciation Rights to Grantee to provide an incentive for Grantee to remain a Service Provider of the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. Grant of Stock Appreciation Rights. The Company hereby grants to Grantee Stock Appreciation Rights with respect to [NUMBER OF STOCK APPRECIATION RIGHTS] shares of the Company's Common Stock at the Base Value per share set forth in Section 2 below (the "SARs") on and subject to the terms and conditions set forth in this Agreement and in the Plan.

2. Base Value. The Base Value of each SAR is [BASE VALUE], which is equal to the Fair Market Value of a share of the Company's Common Stock on the Grant Date.

3. Vesting of SARs.

(a) Vesting Schedule. Subject to the provisions of Sections 4 and 5 below, the SARs evidenced by this Agreement shall vest in installments as set forth in **Exhibit A** attached hereto and incorporated herein by reference (each a "Vesting Date"), subject to the achievement of specified performance goals established by the Committee (as defined in the Plan) with respect to the Performance Criteria (as defined in the Plan) set forth in **Exhibit A** (each, a "Performance Condition") for the fiscal year(s) or other fiscal period(s) or specific event(s) set forth in **Exhibit A** (each, a "Performance Period"), in accordance with the provisions set forth in **Exhibit A** of this Agreement, and the other terms and conditions set forth herein.

(b) Performance Determination Date. For each Performance Condition, the Committee shall determine, in its sole discretion, and certify in writing whether and the extent to which such Performance Condition was achieved for a Performance Period. Except as otherwise set forth in **Exhibit A**, such determination and written certification will be made following completion of the external audit of the Company's financial statements for the applicable Performance Period (the "Performance Determination Date").

4. Continuous Service.

(a) Definition of Continuous Service. For purposes of this Agreement, the term "Continuous Service" means: (1) employment of the Grantee by either the Company or any Affiliated Company (as defined in the Plan), or by any successor entity following a Change in Control (as defined in the Plan), which is uninterrupted other than by vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code")), or leaves of absence which are approved in writing by the Company or any Affiliated Company, if applicable; (2) service as a member of the Board of Directors of the Company until Grantee resigns, is removed from office, or Grantee's term of office expires and he or she is not reelected; or (3) so long as Grantee is engaged as a Service Provider (as defined in the Plan) to the Company or an Affiliated Company. Changes in Grantee's status among the alternatives set forth in the foregoing clauses (1), (2) and/or (3) shall not be deemed to terminate Grantee's Continuous Service. For purposes of this Agreement, the length of previous employment of Grantee by any entity, or relating to any business, that has been acquired by the Company or any Affiliated Company shall be included for purposes of calculating the number of years of Grantee's Continuous Service.

(b) Termination of Continuous Service. In the event of any termination of Grantee's Continuous Service, notwithstanding Section 3(a) above, vesting of the SARs shall cease immediately upon a termination of Grantee's Continuous Service. Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Continuous Service. Any SARs subject to this Agreement, to the extent not vested as of the date of termination of Grantee's Continuous Service, shall be automatically cancelled as of such date (regardless of the reason for such termination, including, without limitation, a termination due to death or permanent disability), and the Grantee shall have no further rights with respect to such SARs; provided, however, that any SARs that have vested as of the date of termination of Grantee's Continuous Service shall continue to be exercisable in accordance with Section 6(a) below.

5. Change in Control. Notwithstanding Section 3(a) above, in the event there occurs a Change in Control (as defined in the Plan) of the Company, then, except as provided herein, the portion of the SARs that is outstanding and unvested immediately prior to such occurrence shall accelerate and become fully vested (100% achievement of all applicable Performance Conditions shall be deemed to have occurred) upon (or, as may be necessary to effect such acceleration, immediately prior to) the consummation of the Change in Control. If, however, this Agreement is assigned by the Company and assumed by the acquiring or successor entity (or parent thereof), or if new SARs under a new stock incentive program are to be issued in exchange therefor, in connection with such Change in Control transaction (as such events are more particularly described in the Plan), then vesting of the SARs shall not accelerate and the time-based vesting schedule shall continue to apply, but 100% achievement of all applicable Performance Conditions shall be deemed to have occurred.

6. Right to Exercise.

(a) Exercise Period. The right of the Grantee to exercise SARs that have vested in accordance with the terms of this Agreement shall terminate upon the first to occur of the following:

(i) the expiration of seven (7) years from the date of this Agreement;

(ii) the expiration of three (3) months from the date of termination of Grantee's Continuous Service if such termination occurs for any reason other than Qualifying Retirement (as defined hereinbelow), permanent disability, death or cause; provided, however, that if Grantee dies during such three-month period the provisions of subsection 6(a)(v) below shall apply;

(iii) immediately on the date of termination of Grantee's Continuous Service if such termination occurs for cause;

(iv) the expiration of one (1) year from the date of termination of Grantee's Continuous Service if such termination is due to permanent disability of the Grantee (as defined in Section 22(e)(3) of the Code) where the Grantee does not have ten (10) years of Continuous Service at the time of such termination;

(v) the expiration of one (1) year from the date of termination of Grantee's Continuous Service if such termination is due to Grantee's death or if death occurs during the three-month period following termination of Grantee's Continuous Service pursuant to subsection 6(a)(ii) above, in either case where the Grantee does not have ten (10) years of Continuous Service at the time of such termination;

(vi) the expiration of seven (7) years from the date of this Agreement if such termination is due to: (i) Grantee's Qualifying Retirement, (ii) Grantee's permanent disability (as defined in Section 22(e)(3) of the Code), where at the time of Grantee's termination Grantee has ten (10) years of Continuous Service, or (iii) Grantee's death, where at the time of Grantee's termination Grantee has ten (10) years of Continuous Service; or

(vii) upon the consummation of a Change in Control, unless otherwise provided pursuant to Section 5 above.

(b) Qualifying Retirement. For purposes of this Agreement, a "Qualifying Retirement" shall occur if at the time of Grantee's retirement (i) Grantee has had ten (10) years of Continuous Service and (ii) is age 59 ½ or older.

7. Delivery of Common Stock Upon Exercise. Upon exercise of the SARs, Grantee will receive an amount, payable in shares of the Company's Common Stock, determined by multiplying: (a) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the SARs over the Base Value of such Stock Appreciation Right, by (b) the number of shares of Common Stock as to which such SARs are exercised. Upon such exercise, the Company shall issue to Grantee a number of shares of Common Stock determined by dividing the amount determined under the preceding sentence by the Fair Market Value of such shares on the date of exercise, subject to applicable tax withholding requirements as set forth in Section 8(b). The value of any fractional shares of Common Stock shall be paid in cash at the time the shares are delivered to Grantee in connection with the exercise of the SARs.

8. Tax Matters.

(a) Compliance with Tax Laws. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee.

(b) Tax Withholding. The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any Affiliated Company may reasonably be obligated to withhold with respect to the grant, vesting, exercise or other event with respect to the SARs. The Company may, in its sole discretion, withhold a sufficient number of shares of Common Stock in connection with the exercise of the SARs at the Fair Market Value (as defined in the Plan) of the Common Stock (determined as of the date of measurement of the amount of income subject to such withholding) to satisfy the amount of any such withholding obligations that arise with respect to the exercise of such SARs. The Company may take such action(s) without notice to the Grantee and shall remit to the Grantee the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. The Grantee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, any withholding event occurs with respect to the SARs other than upon the exercise of such SARs, or if the Company for any reason does not satisfy the withholding obligations with respect to the exercise of the SARs as provided above in this Section 8(b), the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee the amount of any such withholding obligations.

(c) Tax Treatment. The SARs evidenced by this Agreement, and the issuance of shares of Common Stock or payments to the Grantee in connection with the exercise of the SARs, are intended to be taxed under the provisions of Section 83 of the Code, and are not intended to provide and do not provide for the deferral of compensation within the meaning of Section 409A(d) of the Code. The Company reserves the right to amend this Agreement, without the Grantee's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section.

9. Adjustments Upon Specified Events.

(a) Adjustment in Number and Kind. In the event that the outstanding shares of the Company's Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, then the Company shall make appropriate adjustments to the number of SARs subject to this Agreement and to the number and kind of securities that may be issued in respect of such SARs, in order to preserve, as nearly as practical, but not to increase, the benefits to the Grantee.

(b) Adjustment to Performance Measures. With respect to any Performance Condition, the Company shall adjust the performance measures, performance goals, relative weights of the measures, and other provisions of this Agreement to the extent (if any) it determines, in its sole discretion, that the adjustment is necessary or advisable to preserve the intended incentives and benefits to reflect (1) any stock split, reverse stock split, stock dividend, material change in corporate capitalization, any material corporate transaction (such as a reorganization, combination, separation, merger, acquisition, or any combination of the foregoing), or any complete or partial liquidation of the Company, (2) any change in accounting policies or practices, (3) the effects of any special charges to the Company's earnings, or (4) any other similar special circumstances.

10. No Stockholder Rights. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the SARs or any shares of Common Stock issuable in respect of such SARs, unless and until shares of Common Stock are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the shares of Common Stock upon the exercise of the SARs, except as provided in Section 9 hereof.

11. Restrictions on Transfer. Until shares of the Company's Common Stock have been issued free of restrictions in connection with the exercise of the SARs, neither the SARs nor any interest therein or amount payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered by the Grantee, either voluntarily or involuntarily, except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights or except as authorized by the Administrator of the Plan in its sole discretion. The transfer restrictions set forth in this Section 11 shall not apply to transfers to the Company. Notwithstanding the foregoing, upon the issuance of shares of the Company's Common Stock in settlement of exercised SARs, the restrictions set forth in this Section 11 shall continue to apply to such issued shares until such time as the Grantee has satisfied all holding period requirements applicable to the Grantee based on his or her position with the Company under any Company policy.

12. Adverse Activity. The Company may cancel, rescind, suspend, withhold or otherwise limit or restrict all or any portion of the SARs at any time if the Grantee is not in compliance with all applicable provisions of this Agreement and the Plan, or if the Grantee engages in any "Adverse Activity." For purposes of this Section 12, "Adverse Activity" shall include: (a) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (b) the disclosure to anyone outside the Company, or the use in other than the

Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Grantee either during or after employment or other engagement with the Company; (c) the failure or refusal to disclose promptly and to assign to the Company (in accordance with the Company's policies and any agreement in effect between the Company and the Grantee pertaining to confidentiality and/or ownership of intellectual property) all right, title and interest in any invention or idea, patentable or not, made or conceived by the Grantee during employment by the Company, utilizing any Company property, during Grantee's working time, or relating in any manner to the actual or anticipated business, research or development work of the Company; (d) activity that results in termination of the Grantee's employment for cause; (e) a material violation of any rules, policies, procedures or guidelines of the Company; or (f) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company.

13. Compliance with Laws. The award of SARs and the offer, issuance and delivery of securities under this Agreement are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The Grantee will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company will cause such action to be taken, and such filings to be made, so that the grant hereunder shall comply with the rules of the Nasdaq National Market or the principal stock exchange on which shares of the Company's Common Stock are then listed for trading.

14. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the shares of the Company's Common Stock to Grantee pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained. The Company shall not be required to: (a) transfer on its books any SARs or any shares issued in respect thereof which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (b) treat as owner of such issued shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such issued shares shall have been so transferred.

15. Legends. In the event, and only in the event, that, at the time shares of Common Stock are to be issued in connection with the exercise of the SARs pursuant to this Agreement, the Company does not have an effective Form S-8 Registration Statement on file with the Securities and Exchange Commission with respect to the offer and sale of shares of Common Stock covered by this Agreement, the certificates, if any, representing the shares of Common Stock so paid will bear a legend in substantially the following form:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY APPLICABLE STATE LAW. THEY MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED WITHOUT (1) REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE LAW, OR (2) AN OPINION (SATISFACTORY TO THE COMPANY) OF COUNSEL (SATISFACTORY TO THE COMPANY) THAT REGISTRATION IS NOT REQUIRED."

16. "Market Stand-Off" Agreement. Grantee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities (including any acquisition transaction where Company securities will be used as all or part of the purchase price), Grantee will not sell or otherwise transfer or dispose of any shares of Common Stock held by Grantee that were received upon the exercise of the SARs without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

17. No Agreement to Employ. Nothing contained in this Agreement constitutes an employment commitment by the Company or any Affiliated Company, confers upon the Grantee any right to remain employed by the Company or any Affiliated Company, or interferes in any way with the right of the Company or any Affiliated Company at any time to terminate such employment. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Grantee under any written agreement with the Company or any Affiliated Company.

18. General.

(a) Section Headings; Number and Gender. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

(b) Governing Law; Attorneys' Fees. The validity, construction, interpretation, and effect of this Agreement shall be governed by and determined in accordance with the laws of the State of California except for matters related to corporate law, in which case the provisions of the Nevada corporation law shall govern. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party reasonable attorneys' fees and costs.

(c) Severability. If any provision of this Agreement or the application thereof is held to be invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications, and to this end the provisions of this Agreement are declared to be severable.

(d) Entire Agreement. This Agreement, including Exhibit A hereto, embodies the entire agreement of the parties hereto respecting the matters within the scope of this Agreement and supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof, except as otherwise set forth in Section 17 hereof. Any such prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein. This Agreement is an integrated Agreement as to the subject matter hereof.

(e) Interpretation. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan, and shall in all respects be interpreted in accordance therewith. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative. The Administrator shall interpret and construe this Agreement and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Grantee.

(f) Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto. Notwithstanding the foregoing, amendments made pursuant to Section 8(c) or 9(b) hereof may be effectuated solely by the Company.

(g) Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Company and be binding upon the Grantee and his heirs, executors, administrators, successors and permitted assigns.

(h) Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(i) Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: General Counsel, and if to the Grantee, at his or her most recent address as shown in the employment or stock records of the Company.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Copies of such signed counterparts may be used in lieu of the originals for any purpose.

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

NEWPORT CORPORATION

GRANTEE:

By: _____
Name: _____
Title: _____

[GRANTEE NAME]

EXHIBIT A

VESTING SCHEDULE

Grant Date: [GRANT DATE]
Grantee Name: [GRANTEE NAME]
Aggregate Number of SARs: [NUMBER OF SARs]

Vesting Schedule:

The vesting of all SARs evidenced by this Agreement will be conditioned upon the achievement by the Company of the following financial performance goal(s):

<u>Performance Measure</u>	<u>Target Level</u>

If the financial performance goal set forth above is achieved by the Company, the SARs will vest in equal annual installments on the first [NUMBER OF VESTING YEARS] anniversaries of the Grant Date. If such financial performance goal is not achieved, all SARs will be forfeited effective as of the Performance Determination Date.

**NEWPORT CORPORATION
2011 STOCK INCENTIVE PLAN**

The 2011 STOCK INCENTIVE PLAN (the "Plan") is hereby established and adopted this 25th day of March 2011 (the "Effective Date") by Newport Corporation, a Nevada Corporation (the "Company"). Upon approval of the Plan by the Company's stockholders, the Plan shall replace the Company's 2006 Performance-Based Stock Incentive Plan.

**ARTICLE 1.
PURPOSES OF THE PLAN**

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors, consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company that is tied to the Company's performance, thereby giving them an interest in the success and increased value of the Company.

**ARTICLE 2.
DEFINITIONS**

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means:

(a) with respect to Incentive Options, any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively; and

(b) with respect to Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards, any entity described in paragraph (a) of this Section 2.2 above, plus any other corporation, limited liability company ("LLC"), partnership or joint venture, whether now existing or hereafter created or acquired, with respect to which the Company beneficially owns more than fifty percent (50%) of: (1) the total combined voting power of all outstanding voting securities or (2) the capital or profits interests of an LLC, partnership or joint venture.

2.3 Base Value. "Base Value" shall have the meaning as set forth in Section 8.3 below.

2.4 Board. "Board" means the Board of Directors of the Company.

2.5 Change in Control. "Change in Control" shall mean:

(a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;

(b) A merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity (or the parent of the surviving entity) immediately after such merger or consolidation;

(c) A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger;

(d) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s); or

(e) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.

2.6 Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.7 Committee. “Committee” means a committee of two or more members of the Board appointed to administer the Plan, as set forth in Section 9.1 hereof.

2.8 Common Stock. “Common Stock” means the Common Stock of the Company, subject to adjustment pursuant to Section 4.4 hereof.

2.9 Company. “Company” means Newport Corporation, a Nevada corporation, or any entity that is a successor to the Company.

2.10 Covered Employee. “Covered Employee” means the Chief Executive Officer of the Company (or the individual acting in a similar capacity) and the four (4) other individuals that are the highest compensated executive officers of the Company for the relevant taxable year for whom total compensation is required to be reported to stockholders under the Exchange Act.

2.11 Disability. “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator’s determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.12 DRO. “DRO” means a domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder.

2.13 Effective Date. “Effective Date” means the date on which the Plan was originally adopted by the Board, as set forth on the first page hereof.

2.14 Exchange Act. “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

2.15 Exercise Price. “Exercise Price” means the purchase price per share of Common Stock payable by the Optionee to the Company upon exercise of an Option.

2.16 Fair Market Value. “Fair Market Value” on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on the Nasdaq stock market or another stock exchange or market system which reports closing sale prices, the Fair Market Value shall be the

closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq stock market or other exchange or market system on the next preceding day on which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on the Nasdaq stock market or another stock exchange or market system which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

2.17 Incentive Option. “Incentive Option” means any Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

2.18 Incentive Option Agreement. “Incentive Option Agreement” means an Option Agreement with respect to an Incentive Option.

2.19 NASD Dealer. “NASD Dealer” means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.20 Nonqualified Option. “Nonqualified Option” means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.7 below, it shall to that extent constitute a Nonqualified Option.

2.21 Nonqualified Option Agreement. “Nonqualified Option Agreement” means an Option Agreement with respect to a Nonqualified Option.

2.22 Option. “Option” means any option to purchase Common Stock granted pursuant to the Plan.

2.23 Option Agreement. “Option Agreement” means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.24 Optionee. “Optionee” means any Participant who holds an Option.

2.25 Participant. “Participant” means an individual or entity that holds an Option, Stock Appreciation Right, shares of Restricted Stock or Restricted Stock Units under the Plan.

2.26 Performance Criteria. “Performance Criteria” means one or more of the following as established by the Committee, which may be stated as a target percentage or dollar amount, a percentage increase over a base period percentage or dollar amount, performance relative to a specified peer company or companies, or the occurrence of a specific event or events:

- (a)** Consolidated, divisional or business unit sales;
- (b)** Consolidated, divisional or business unit gross margin;
- (c)** Consolidated, divisional or business unit operating income;
- (d)** Divisional or business unit contributed profit;
- (e)** Consolidated pre-tax income;
- (f)** Consolidated net income;
- (g)** Earnings before interest, taxes, depreciation and amortization (“EBITDA”);

- (h) Earnings per common share (“EPS”);
- (i) Consolidated net income of the Company divided by the average consolidated common stockholders equity (“ROE”);
- (j) Consolidated return on invested capital (“ROIC”)
- (k) Divisional or business unit return on selected assets (“ROA”)
- (l) Consolidated, divisional or business unit cash flow from operations or free cash flow (“Cash Flow”);
- (m) Cost containment or reduction;
- (n) The percentage increase in the market price of the Company’s common stock over a stated period; and
- (o) Individual business objectives.

2.27 Purchase Price. “Purchase Price” means the purchase price payable to purchase a share of Restricted Stock, or a Restricted Stock Unit, which, in the sole discretion of the Administrator, may be zero (0), subject to limitations under applicable law.

2.28 Repurchase Right. “Repurchase Right” means the right of the Company to repurchase either unvested shares of Restricted Stock pursuant to Section 6.6 or to cancel unvested Restricted Stock Units pursuant to Section 7.6.

2.29 Restricted Stock. “Restricted Stock” means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.30 Restricted Stock Award. “Restricted Stock Award” means either the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.31 Restricted Stock Award Agreement. “Restricted Stock Award Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.32 Restricted Stock Unit. “Restricted Stock Unit” means the right to receive one share of Common Stock issued pursuant to Article 7 hereof, subject to any restrictions and conditions as are established pursuant to such Article 7.

2.33 Service Provider. “Service Provider” means a consultant or other person or entity the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company or an Affiliated Company has a significant ownership interest.

2.34 Stock Appreciation Right. “Stock Appreciation Right” means a contractual right granted to a Participant under Section 8 hereof, the exercise or settlement of which entitles the Participant to receive shares of the Company’s Common Stock having a Fair Market Value equal to the difference between the Base Value per share, as set forth in Section 8.3 below, of the right and the Fair Market Value of a share of Common Stock multiplied by the number of shares subject to the right at such time, subject to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Right Agreement.

2.35 Stock Appreciation Right Agreement. “Stock Appreciation Right Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of a Stock Appreciation Right under the Plan.

2.36 Stock Appreciation Rights Holder. “Stock Appreciation Rights Holder” means any Participant who holds a Stock Appreciation Right.

2.37 10% Stockholder. “10% Stockholder” means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3. ELIGIBILITY

3.1 Incentive Options. Only employees of the Company or of an Affiliated Company (including members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards. Employees of the Company or of an Affiliated Company, members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards under the Plan.

3.3 Section 162(m) Limitation. In no event shall any Participant be granted Options or Stock Appreciation Rights in any one calendar year pursuant to which the aggregate number of shares of Common Stock that may be acquired thereunder exceeds three hundred thousand (300,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof. In no event shall any Participant be granted Restricted Stock Awards in any one calendar year pursuant to which the aggregate number of shares of Common Stock governed by such Restricted Stock Awards exceeds two hundred thousand (200,000), subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

ARTICLE 4. PLAN SHARES

4.1 Shares Subject to the Plan. Subject to the limitations set forth in Sections 4.2 and 4.3 hereof, and subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof, the number of shares of Common Stock that may be issued under the Plan shall be six million (6,000,000) shares. Upon approval of the Plan by the Company’s stockholders, the Company’s 2006 Performance-Based Stock Incentive Plan will be terminated for purposes of future grants, and the Company will only have the 6,000,000 shares authorized for issuance pursuant to this Section 4.1 available for future grants.

4.2 Limitation on Incentive Options. The maximum number of shares of Common Stock that may be issued under the Plan as Incentive Options shall be two million (2,000,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

4.3 Share Counting.

(a) For purposes of the share limit set forth in Section 4.1 above, an award that is an Option or a Stock Appreciation Right shall be counted against the share limit as one (1) share for each share of Common Stock subject to such Option or Stock Appreciation Right, and an award of Restricted Stock or Restricted Stock Units shall be counted against the share limit as one and seven tenths (1.7) shares for each share of Common Stock subject to such award of Restricted Stock or Restricted Stock Units, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

(b) For purposes of the share limit set forth in Section 4.1 above, upon the exercise or settlement of an Option or a Stock Appreciation Right, or the issuance or vesting of Restricted Stock or a Restricted Stock Unit, the number of shares reserved for issuance under the Plan will be reduced by the gross number of shares that had been counted against the share limit for the award subject to such exercise, settlement, issuance or vesting, and not by the net amount of shares actually issued to the Participant. Such gross amount shall include, in addition to the number of shares issued to the Participant, any shares subject to the award which are surrendered by the Participant or withheld by the Company in satisfaction of tax withholding obligations in connection with the exercise, settlement, issuance or vesting of the Option, Stock Appreciation Right or Restricted Stock Award.

(c) For purposes of the share limit set forth in Section 4.1 above, in the event that (i) all or any portion of any Option or Stock Appreciation Right granted under the Plan can no longer under any circumstances be exercised or settled, or (ii) any shares of Common Stock are reacquired by the Company or forfeited by a Participant pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement (excluding any shares subject to an award which are surrendered by a Participant or withheld by the Company in satisfaction of tax withholding obligations in connection with the exercise, settlement, issuance or vesting of an Option, Stock Appreciation Right or Restricted Stock Award), the number of shares of Common Stock that had been counted against the share limit allocable to the unexercised or unsettled portion of such Option or Stock Appreciation Right or the shares so reacquired or forfeited shall again be available for grant or issuance under the Plan.

4.4 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be made by the Administrator to the aggregate number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements and the limits on the number of shares under Sections 3.3, 4.2 and 4.3 all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5. OPTIONS

5.1 Grant of Stock Options. The Administrator shall have the right to grant pursuant to this Plan Options subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria.

5.2 Option Agreements. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement which shall specify the number of shares subject thereto, vesting provisions relating to such Option, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

5.3 Exercise Price. The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is granted, and (c) if the person to whom an Incentive Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Incentive Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

5.4 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Optionee, which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the cancellation of indebtedness of the Company to the Optionee; (e) the waiver of compensation due or accrued to the Optionee for services rendered; (f) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option 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; (g) provided that a public market for the Common Stock exists, a “margin” commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (h) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

5.5 Term and Termination of Options. Except for issuances of Incentive Options to 10% Stockholders, the term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than seven (7) years after the date it is granted. With respect to the issuance of Incentive Options to 10% Stockholders, the term and provisions for termination of each such Incentive Option shall not exceed five (5) years after the date it is granted.

5.6 Vesting and Exercise of Options. Each Option shall vest and become exercisable in one or more installments, at such time or times and subject to such conditions, including without limitation continued employment or the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

5.7 Annual Limit on Incentive Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year shall not exceed \$100,000.

5.8 Nontransferability of Options. Except as otherwise provided in this Section 5.8, Options shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Optionee, Options shall be exercisable only by the Optionee. At the discretion of the Committee and in accordance with rules it establishes from time to time, Optionees may be permitted to transfer some or all of their Nonqualified Options to one or more “family members,” which is not a “prohibited transfer for value,” provided that (i) the Optionee (or such Optionee’s estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Nonqualified Option; (ii) the Optionee shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the “family member” or “family members” and their relationship to the Optionee, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms “family members” and “prohibited transfer for value” have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

5.9 Rights as a Stockholder. An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised and certificates or book entries representing shares purchased upon such exercise have been issued or registered to such person.

5.10 Repricing Prohibited. Except in connection with a change in the capital structure of the Company as described in Section 4.4 hereof, the terms of any outstanding Options may not be amended to reduce the exercise price of any outstanding Options or to cancel any outstanding Options in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price or base value that is less than the exercise price of the original Options, and no other modification that would be treated as a “repricing” under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market may be made to any Options, without the prior approval of the Company’s stockholders.

5.11 Compliance with Code Section 409A. Notwithstanding anything in this Article 5 to the contrary, all Option Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 6.
RESTRICTED STOCK

6.1 Issuance of Restricted Stock. The Administrator shall have the right to issue pursuant to this Plan, at a Purchase Price determined by the Administrator, shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

6.2 Restricted Stock Agreements. A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Restricted Stock Award Agreement until the Participant has paid the full Purchase Price, if any, to the Company in the manner set forth in Section 6.3(b) hereof and has executed and delivered to the Company the applicable Restricted Stock Award Agreement. Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

6.3 Purchase Price.

(a) Amount. Restricted Stock may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

6.4 Vesting of Restricted Stock. The Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock may vest, as shall be determined by the Administrator.

6.5 Rights as a Stockholder. Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock acquired pursuant to a Restricted Stock Award Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Restricted Stock Award Agreement. Unless the Administrator shall determine otherwise, certificates or book entries evidencing shares of Restricted Stock shall remain in the possession or control of the Company until such shares have vested in accordance with the terms of the Restricted Stock Award Agreement.

6.6 Restrictions. Until vested, shares of Restricted Stock may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except for transfers other than for value as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide, in the discretion of the Administrator, that the Company may, at the discretion of the Administrator, exercise a Repurchase Right to repurchase at the original Purchase Price the shares of Restricted Stock that have not vested as of the date of termination.

6.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 6 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 7. RESTRICTED STOCK UNITS

7.1 Grants of Restricted Stock Units. The Administrator shall have the right to grant Restricted Stock Units pursuant to this Plan, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

7.2 Restricted Stock Unit Agreements. A Participant shall have no rights with respect to the Restricted Stock Units covered by a Restricted Stock Award Agreement until the Participant has executed and delivered to the Company the applicable Restricted Stock Award Agreement. Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

7.3 Purchase Price.

(a) Amount. Restricted Stock Units may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

7.4 Vesting and Settlement of Restricted Stock Units. The Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock Units may vest, and the timing and manner in which the Restricted Stock Units shall be settled, as shall be determined by the Administrator.

7.5 Rights as a Stockholder. Holders of Restricted Stock Units shall not be entitled to vote or to receive dividends unless or until they become owners of the shares of Common Stock pursuant to their Restricted Stock Award Agreement and the terms and conditions of the Plan.

7.6 Restrictions. Until vested, Restricted Stock Units may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except for transfers other than for value as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or

Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide that all Restricted Stock Units that have not vested as of such date shall be automatically forfeited by the Participant. However, if, with respect to such unvested Restricted Stock Units the Participant paid a Purchase Price, the Administrator shall have the right, exercisable at the discretion of the Administrator, to exercise a Repurchase Right to cancel such unvested Restricted Stock Units upon payment to the Participant of the original Purchase Price. The Participant shall forfeit such unvested Restricted Stock Units upon the Administrator's exercise of such right.

7.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 7 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 8. STOCK APPRECIATION RIGHTS

8.1 Grant of Stock Appreciation Rights. The Administrator shall have the right to grant pursuant to this Plan Stock Appreciation Rights, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria. Stock Appreciation Rights may be granted on a basis that allows for the exercise of the right by the Participant or that provides for the automatic settlement of the right upon a specified date or event.

8.2 Stock Appreciation Right Agreements. Each Stock Appreciation Right granted pursuant to this Plan shall be evidenced by a Stock Appreciation Right Agreement, which shall specify the number of shares subject thereto, vesting provisions relating to such Stock Appreciation Right and the Base Value per share. As soon as is practicable following the grant of a Stock Appreciation Right, a Stock Appreciation Right Agreement shall be duly executed and delivered by or on behalf of the Company to the Stock Appreciation Right Holder to whom such Stock Appreciation Right was granted. Each Stock Appreciation Right Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

8.3 Base Value. The Base Value per share of Common Stock covered by each Stock Appreciation Right shall be determined by the Administrator, except that the Base Value of a Stock Appreciation Right shall not be less than 100% of Fair Market Value of the Common Stock on the date the Stock Appreciation Right is granted.

8.4 Term and Termination of Stock Appreciation Rights. The term and provisions for termination of each Stock Appreciation Right shall be fixed by the Administrator, but no Stock Appreciation Right may be exercisable or subject to settlement more than seven (7) years after the date it is granted.

8.5 Vesting of Stock Appreciation Rights. Each Stock Appreciation Right shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation continued employment or the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

8.6 Exercise or Settlement of Stock Appreciation Rights. A Stock Appreciation Right will entitle the holder, upon exercise or other settlement of the Stock Appreciation Right, as applicable, to receive an amount determined by multiplying: (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise or settlement of the Stock Appreciation Right over the Base Value of such Stock Appreciation Right, by (ii) the number of shares as to which such Stock Appreciation Right is exercised or settled. Upon such exercise or settlement, the Company shall issue to the Stock Appreciation Right Holder a number of shares of Common Stock determined by dividing the amount determined under the preceding sentence by the Fair Market Value of such shares on the date of exercise or settlement, subject to applicable tax withholding requirements and to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Rights Award Agreement.

8.7 Repricing Prohibited. Except in connection with a change in the capital structure of the Company as described in Section 4.4 hereof, the terms of any outstanding Stock Appreciation Rights may not be amended to reduce the base value of any outstanding Stock Appreciation Rights or to cancel any outstanding Stock Appreciation Rights in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price or base value that is less than the base value of the original Stock Appreciation Rights, and no other modification that would be treated as a “repricing” under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market may be made to any Stock Appreciation Rights, without the prior approval of the Company’s stockholders.

8.8 Nontransferability of Stock Appreciation Rights. Except as otherwise provided in this Section 8.8, Stock Appreciation Rights shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Stock Appreciation Rights Holder, Stock Appreciation Rights shall be exercisable only by the Stock Appreciation Rights Holder. At the discretion of the Committee and in accordance with rules it establishes from time to time, Stock Appreciation Rights Holders may be permitted to transfer some or all of their Stock Appreciation Rights to one or more “family members,” which is not a “prohibited transfer for value,” provided that (i) the Stock Appreciation Rights Holder (or such holder’s estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Stock Appreciation Right; (ii) the Stock Appreciation Rights Holder shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the “family member” or “family members” and their relationship to the holder, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms “family members” and “prohibited transfer for value” have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

8.9 Rights as a Stockholder. A Stock Appreciation Rights Holder or permitted transferee of a Stock Appreciation Rights Holder shall have no rights or privileges as a stockholder with respect to any shares covered by a Stock Appreciation Right until such Stock Appreciation Right has been duly exercised or settled and certificates or book entries representing shares issued upon such exercise or settlement have been issued or registered to such person.

8.10 Compliance with Code Section 409A. Notwithstanding anything in this Article 8 to the contrary, all Stock Appreciation Right Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 9. ADMINISTRATION OF THE PLAN

9.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the “Committee”). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term “Administrator” means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

9.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options, Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards shall be granted, the number of shares to be represented by each Option or Stock Appreciation Right and the number of shares of Common Stock to be subject to Restricted Stock Awards, and the consideration to be received by the Company upon the exercise of such Options or sale of the Restricted Stock or the Restricted Stock Units governed by such Restricted Stock Awards; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a

Participant's rights under any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement; (g) to accelerate the vesting of any Option or Stock Appreciation Right or waive any repurchase rights of the Company with respect to Restricted Stock Awards; (h) to extend the expiration date of any Option or Stock Appreciation Right (subject to the maximum term permitted for any award as stated in the Plan); (i) to amend outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (j) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants. Notwithstanding the foregoing, in no event shall the Administrator have the power or authority to take any action that would require the consent of the Company's stockholders under the terms of the Plan unless such consent has been obtained.

9.3 Limitation on Liability. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 10. CHANGE IN CONTROL

10.1 Options and Stock Appreciation Rights. In order to preserve a Participant's rights with respect to any outstanding Options and Stock Appreciation Rights in the event of a Change in Control of the Company:

(a) Vesting of all outstanding Options and Stock Appreciation Rights shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control unless the Options and Stock Appreciation Rights are to be assumed by the acquiring or successor entity (or parent thereof) or new options or new stock appreciation rights under a new stock incentive program ("New Incentives") are to be issued in exchange therefor, as provided in subsection (b) below.

(b) Vesting of outstanding Options and Stock Appreciation Right Agreements shall not accelerate if and to the extent that: (i) the Options and Stock Appreciation Rights (including the unvested portion thereof) are to be assumed by the acquiring or successor entity (or parent thereof) or new options and stock appreciation rights of comparable value are to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) the Options and Stock Appreciation Rights (including the unvested portions thereof) are to be replaced by the acquiring or successor entity (or parent thereof) with New Incentives containing such terms and provisions as the Administrator in its discretion may consider equitable. If outstanding Options or Stock Appreciation Rights are assumed, or if New Incentives of comparable value are issued in exchange therefor, then each such Option and Stock Appreciation Right or new stock option or new stock appreciation right shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee or Stock Appreciation Rights Holder would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option or Stock Appreciation Right had the Option or Stock Appreciation Right been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of each such Option or new option and the aggregate Base Value of each such Stock Appreciation Right or new stock appreciation right shall remain the same as nearly as practicable.

(c) If any Option or Stock Appreciation Right is assumed by an acquiring or successor entity (or parent thereof) or a New Incentive is issued in exchange therefor pursuant to the terms of a Change in Control transaction, then if so provided in an Option Agreement or a Stock Appreciation Right Award Agreement, the vesting of the Option, the Stock Appreciation Right or the New Incentive shall accelerate if and at such time as the Optionee's or Stock Appreciation Rights Holder's service as an employee, director, officer, consultant or other

service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of the Change in Control, pursuant to such terms and conditions as shall be set forth in the Option Agreement or Stock Appreciation Right Agreement, as the case may be.

(d) If vesting of outstanding Options will accelerate pursuant to subsection (a) above, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

(e) The Administrator shall have the discretion to provide in each Option Agreement and Stock Appreciation Right Agreement other terms and conditions that relate to (i) vesting of such Option or Stock Appreciation Right in the event of a Change in Control, and (ii) assumption of such Options and Stock Appreciation Rights or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option Agreement and Stock Appreciation Agreement, and may be different from and have precedence over the provisions set forth in Sections 10.1(a) - 10.1(d) above.

(f) Outstanding Options and Stock Appreciation Rights shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options or Stock Appreciation Rights are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(g) If outstanding Options or Stock Appreciation Rights will not be assumed by the acquiring or successor entity (or parent thereof), the Administrator shall cause written notice of a proposed Change in Control transaction to be given to Optionees and Stock Appreciation Rights Holders not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

10.2 Restricted Stock Awards. In order to preserve a Participant's rights with respect to any outstanding Restricted Stock Awards in the event of a Change in Control of the Company:

(a) All Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and any shares of Restricted Stock or Restricted Stock Units subject to such terminated Repurchase Rights, or Restricted Stock Units, whether or not subject to such terminated Repurchase Rights shall immediately vest in full, except to the extent that in connection with such Change in Control, the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of Restricted Stock Award Agreements or the substitution of new agreements of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and purchase price.

(b) The Administrator in its discretion may provide in any Restricted Stock Award Agreement that if, upon a Change in Control, the acquiring or successor entity (or parent thereof) assumes such Restricted Stock Award Agreement or substitutes new agreements of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and purchase price), then any Repurchase Right provided for in such Restricted Stock Award Agreement shall terminate, and the shares of Common Stock subject to the terminated Repurchase Right or any substituted shares shall immediately vest in full, if the Participant's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of a Change in Control, pursuant to such terms and conditions as shall be set forth in the Restricted Stock Award Agreement.

ARTICLE 11.
AMENDMENT AND TERMINATION OF THE PLAN

11.1 Amendments. The Board may from time to time alter or amend in such respects as the Board may deem advisable, subject to compliance with applicable laws and the rules of the stock exchange or market system on which the Company's Common Stock is then listed or admitted to trading, and may suspend or terminate the Plan at any time; provided, however, that the Board may not alter or amend the Plan to modify or remove Section 5.10 or Section 8.7 of the Plan without the approval of the Company's stockholders. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Restricted Stock Award Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

11.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options, Stock Appreciation Rights or Restricted Stock Awards may be granted under the Plan thereafter, but Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 12.
CANCELLATION AND RECISSION

12.1 Adverse Acts. Unless otherwise provided in an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Administrator may cancel, terminate, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Options, Stock Appreciation Rights or Restricted Stock Awards at any time if the Participant is not in compliance with all applicable provisions of the Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, and the Plan, or if the Participant engages in any "Adverse Act." For purposes of this Section 12, an "Adverse Act" shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company in accordance with the Company's policies and any agreement in effect between the Company and the Participant pertaining to confidentiality and/or ownership of intellectual property all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company; (iv) acts that result in termination of the Participant's employment for cause; (v) a material violation of any rules, policies, procedures or guidelines of the Company; or (vi) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company.

12.2 Agreement Upon Exercise or Settlement. Upon exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan. In the event a Participant fails to comply with the provisions of paragraphs (i)-(vi) of Section 12.1 prior to, or during the six (6) months after, any exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, such exercise, settlement, payment or delivery may be rescinded within two (2) years thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set off against the amount of any such gain any amount owed to the Participant by the Company.

ARTICLE 13.
TAX WITHHOLDING

13.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements at such times as required pursuant to such applicable Federal, state, and local tax withholding requirements, including but not limited to: (i) with respect to any Options or Stock Appreciation Rights, the date on which the same is exercised or settled, (ii) with respect to any Restricted Stock Units, the date on which the applicable restrictions set forth in the Restricted Stock Award Agreement and the Plan lapse and/or the date on which the Restricted Stock Units are settled, and (iii) with respect to the issuance of Restricted Stock, the date on which the shares are issued, if the Purchaser makes the election set forth in Code Section 83(b), or, if the Purchaser does not make such election, then, the date on which the applicable restrictions set forth in the Restricted Stock Award Agreement and the Plan lapse. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise or settlement of an Option or a Stock Appreciation Right or as a result of the purchase of or lapse of restrictions on Restricted Stock Awards or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 14
MISCELLANEOUS

14.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

14.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to interfere with the right of the Company or any Affiliated Company to discharge any Participant at any time.

14.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Restricted Stock Award Agreements, except as otherwise provided herein, will be used for general corporate purposes.

14.4 Annual Reports. During the term of this Plan, the Company will furnish to each Participant who does not otherwise receive such materials, copies of all reports, proxy statements and other communications that the Company distributes generally to its stockholders.

**NEWPORT CORPORATION
AMENDED AND RESTATED 2011 STOCK INCENTIVE PLAN**

This AMENDED AND RESTATED 2011 STOCK INCENTIVE PLAN (the "Plan") is hereby established and adopted this 25th day of March 2015 (the "Effective Date") by Newport Corporation, a Nevada Corporation (the "Company").

RECITALS

WHEREAS, the Company's 2011 Stock Incentive Plan was established and adopted by the Board of Directors of the Company on March 25, 2011, and was approved by the Company's stockholders on May 17, 2011;

WHEREAS, a total of 6,000,000 shares of the Company's common stock was authorized for issuance under the 2011 Stock Incentive Plan;

WHEREAS, the Company's Board of Directors has approved, subject to stockholder approval, an amendment and restatement of the 2011 Stock Incentive Plan, to increase the number of shares of the Company's common stock authorized for issuance thereunder by an additional 4,500,000 shares, to extend the term by four (4) years, and to amend certain other provisions thereof.

NOW, THEREFORE, the Company hereby amends and restates the 2011 Stock Incentive Plan in its entirety as hereinafter set forth.

**ARTICLE 1.
PURPOSES OF THE PLAN**

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors, consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company, thereby giving them an interest in the success and increased value of the Company.

**ARTICLE 2.
DEFINITIONS**

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means:

(a) with respect to Incentive Options, any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively; and

(b) with respect to Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards, any entity described in paragraph (a) of this Section 2.2 above, plus any other corporation, limited liability company ("LLC"), partnership or joint venture, whether now existing or hereafter created or acquired, with respect to which the Company beneficially owns more than fifty percent (50%) of: (1) the total combined voting power of all outstanding voting securities or (2) the capital or profits interests of an LLC, partnership or joint venture.

2.3 Base Value. "Base Value" shall have the meaning as set forth in Section 8.3 below.

2.4 Board. "Board" means the Board of Directors of the Company.

2.5 Change in Control. “Change in Control” shall mean:

(a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;

(b) A merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity (or the parent of the surviving entity) immediately after such merger or consolidation;

(c) A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger;

(d) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s); or

(e) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.

2.6 Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

2.7 Committee. “Committee” means a committee of two or more members of the Board appointed to administer the Plan, as set forth in Section 9.1 hereof.

2.8 Common Stock. “Common Stock” means the Common Stock of the Company, subject to adjustment pursuant to Section 4.4 hereof.

2.9 Company. “Company” means Newport Corporation, a Nevada corporation, or any entity that is a successor to the Company.

2.10 Disability. “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator’s determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.11 DRO. “DRO” means a domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder.

2.12 Effective Date. “Effective Date” means the date on which the Plan was originally adopted by the Board, as set forth on the first page hereof.

2.13 Exchange Act. “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

2.14 Exercise Price. “Exercise Price” means the purchase price per share of Common Stock payable by the Optionee to the Company upon exercise of an Option.

2.15 Fair Market Value. “Fair Market Value” on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on the Nasdaq stock market or another stock exchange or market system which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq stock market or other exchange or market system on the next preceding day on which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on the Nasdaq stock market or another stock exchange or market system which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

2.16 Incentive Option. “Incentive Option” means any Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

2.17 Incentive Option Agreement. “Incentive Option Agreement” means an Option Agreement with respect to an Incentive Option.

2.18 NASD Dealer. “NASD Dealer” means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.19 Nonqualified Option. “Nonqualified Option” means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.7 below, it shall to that extent constitute a Nonqualified Option.

2.20 Nonqualified Option Agreement. “Nonqualified Option Agreement” means an Option Agreement with respect to a Nonqualified Option.

2.21 Option. “Option” means any option to purchase Common Stock granted pursuant to the Plan.

2.22 Option Agreement. “Option Agreement” means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.23 Optionee. “Optionee” means any Participant who holds an Option.

2.24 Participant. “Participant” means an individual or entity that holds an Option, Stock Appreciation Right, shares of Restricted Stock or Restricted Stock Units under the Plan.

2.25 Performance Criteria. “Performance Criteria” means one or more of the following as established by the Committee, which may be stated as a target percentage or dollar amount, a percentage increase over a base period percentage or dollar amount, performance relative to a specified peer company or companies or a specified index, or the occurrence of a specific event or events:

- (a) Consolidated, divisional or business unit sales;
- (b) Consolidated, divisional or business unit gross margin;
- (c) Consolidated, divisional or business unit operating income;
- (d) Divisional or business unit contributed profit;
- (e) Consolidated pre-tax income;

- (f) Consolidated net income;
- (g) Earnings before interest, taxes, depreciation and amortization (“EBITDA”);
- (h) Earnings per common share (“EPS”);
- (i) Consolidated net income of the Company divided by the average consolidated common stockholders equity (“ROE”);
- (j) Consolidated return on invested capital (“ROIC”)
- (k) Divisional or business unit return on selected assets (“ROA”)
- (l) Consolidated, divisional or business unit cash flow from operations or free cash flow (“Cash Flow”);
- (m) Cost containment or reduction;
- (n) The percentage increase in the market price of the Company’s common stock over a stated period; and
- (o) Individual business objectives.

Such Performance Criteria shall include any derivatives of the criteria listed above. To the extent consistent with the requirements of Section 162(m) of the Code, the Committee may determine at the time that goals are established, the extent to which measurement of performance goals may exclude the impact of charges for restructuring, discontinued operations, extraordinary items, debt redemption or retirement, asset write downs, litigation or claim judgments or settlements, acquisitions or divestitures, foreign exchange gains and losses, and other unusual non-recurring items, and the cumulative effects of tax or accounting changes (each as defined by generally accepted accounting principles and as identified in the Company’s financial statements or other SEC filings).

2.26 Purchase Price. “Purchase Price” means the purchase price payable to purchase a share of Restricted Stock, or a Restricted Stock Unit, which, in the sole discretion of the Administrator, may be zero (0), subject to limitations under applicable law.

2.27 Repurchase Right. “Repurchase Right” means the right of the Company to repurchase either unvested shares of Restricted Stock pursuant to Section 6.6 or to cancel unvested Restricted Stock Units pursuant to Section 7.6.

2.28 Restricted Stock. “Restricted Stock” means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.29 Restricted Stock Award. “Restricted Stock Award” means either the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.30 Restricted Stock Award Agreement. “Restricted Stock Award Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of Restricted Stock or the grant of Restricted Stock Units under the Plan.

2.31 Restricted Stock Unit. “Restricted Stock Unit” means the right to receive one share of Common Stock issued pursuant to Article 7 hereof, subject to any restrictions and conditions as are established pursuant to such Article 7.

2.32 Service Provider. “Service Provider” means a consultant or other person or entity the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company or an Affiliated Company has a significant ownership interest.

2.33 Stock Appreciation Right. “Stock Appreciation Right” means a contractual right granted to a Participant under Section 8 hereof, the exercise or settlement of which entitles the Participant to receive shares of the Company’s Common Stock having a Fair Market Value equal to the difference between the Base Value per share, as set forth in Section 8.3 below, of the right and the Fair Market Value of a share of Common Stock multiplied by the number of shares subject to the right at such time, subject to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Right Agreement.

2.34 Stock Appreciation Right Agreement. “Stock Appreciation Right Agreement” means the written agreement entered into between the Company and a Participant evidencing the issuance of a Stock Appreciation Right under the Plan.

2.35 Stock Appreciation Rights Holder. “Stock Appreciation Rights Holder” means any Participant who holds a Stock Appreciation Right.

2.36 10% Stockholder. “10% Stockholder” means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3. ELIGIBILITY

3.1 Incentive Options. Only employees of the Company or of an Affiliated Company (including members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options, Stock Appreciation Rights and Restricted Stock Awards. Employees of the Company or of an Affiliated Company, members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards under the Plan.

3.3 Section 162(m) Limitation. In no event shall any Participant be granted in any one calendar year Options or Stock Appreciation Rights with respect to an aggregate number of shares of Common Stock that exceeds three hundred thousand (300,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof. In no event shall any Participant be granted in any one calendar year Restricted Stock Awards that are granted or vest based on Performance Criteria pursuant to which the aggregate number of shares of Common Stock governed by such Restricted Stock Awards exceeds three hundred thousand (300,000), subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

ARTICLE 4. PLAN SHARES

4.1 Shares Subject to the Plan. Subject to the limitations set forth in Sections 4.2 and 4.3 hereof, and subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof, the number of shares of Common Stock that may be issued under the Plan shall be ten million five hundred thousand (10,500,000) shares (which includes the 6,000,000 shares originally authorized for issuance under the 2011 Stock Incentive Plan at the time of adoption thereof on March 25, 2011).

4.2 Limitation on Incentive Options. The maximum number of shares of Common Stock that may be issued under the Plan as Incentive Options shall be two million (2,000,000) shares, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

4.3 Share Counting.

(a) For purposes of the share limit set forth in Section 4.1 above, an award that is an Option or a Stock Appreciation Right shall be counted against the share limit as one (1) share for each share of Common Stock subject to such Option or Stock Appreciation Right, and an award of Restricted Stock or Restricted Stock Units shall be counted against the share limit as one and seven tenths (1.7) shares for each share of Common Stock subject to such award of Restricted Stock or Restricted Stock Units, subject to adjustment as to the number and kind of shares pursuant to Section 4.4 hereof.

(b) For purposes of the share limit set forth in Section 4.1 above, upon the exercise or settlement of an Option or a Stock Appreciation Right, or the issuance or vesting of Restricted Stock or a Restricted Stock Unit, the number of shares reserved for issuance under the Plan will be reduced by the gross number of shares that had been counted against the share limit for the portion of the award that is subject to such exercise, settlement, issuance or vesting, and not by the net amount of shares actually issued to the Participant. Such gross amount shall include, in addition to the number of shares issued to the Participant, any shares subject to the award which are surrendered by the Participant or withheld by the Company in payment of the Exercise Price or in satisfaction of the tax withholding obligations in connection with the exercise, settlement, issuance or vesting of the Option, Stock Appreciation Right or Restricted Stock Award.

(c) Notwithstanding clause (b) above, for purposes of the share limit set forth in Section 4.1 above, in the event that (i) all or any portion of any Option or Stock Appreciation Right granted under the Plan can no longer under any circumstances be exercised or settled, (ii) any Restricted Stock is reacquired by the Company, or (iii) all or any portion of any Option, Stock Appreciation Right or Restricted Stock Award is cancelled prior to vesting pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement and can no longer under any circumstances be settled, the number of shares of Common Stock that had been counted against the share limit allocable to the unexercised, unsettled or cancelled portion of such Option, Stock Appreciation Right or Restricted Stock Award, or the Restricted Stock so reacquired, shall again be available for grant or issuance under the Plan.

(d) For purposes of the share limit set forth in Section 4.1 above, in the case of any Substitute Award, such Substitute Award shall not be counted against the share limit. "Substitute Award" means any Option, Stock Appreciation Right or Restricted Stock Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or with which the Company or an Affiliate combines.

4.4 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, or in the event of any spin-off, split-up, extraordinary cash dividend or other distribution of assets by the Company (other than a regular cash dividend), then appropriate adjustments shall be made by the Administrator to the aggregate number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements and the limits on the number of shares under Sections 3.3, 4.2 and 4.3 all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5. OPTIONS

5.1 Grant of Stock Options. The Administrator shall have the right to grant pursuant to this Plan Options subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria.

5.2 Option Agreements. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement which shall specify the number of shares subject thereto, vesting provisions relating to such Option, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company (which execution and delivery may occur by electronic, paperless means) to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

5.3 Exercise Price. The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is

granted, and (c) if the person to whom an Incentive Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Incentive Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

5.4 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Optionee (or the forfeiture of a portion of the shares of Common Stock issuable upon exercise of the Option), which surrendered or forfeited shares shall be valued at Fair Market Value as of the date of such exercise; (d) the cancellation of indebtedness of the Company to the Optionee; (e) the waiver of compensation due or accrued to the Optionee for services rendered; (f) provided that a public market for the Common Stock exists, a “same day sale” commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option 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; (g) provided that a public market for the Common Stock exists, a “margin” commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (h) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

5.5 Term and Termination of Options. Except for issuances of Incentive Options to 10% Stockholders, the term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than seven (7) years after the date it is granted. With respect to the issuance of Incentive Options to 10% Stockholders, the term and provisions for termination of each such Incentive Option shall not exceed five (5) years after the date it is granted.

5.6 Vesting and Exercise of Options. Each Option shall vest and become exercisable in one or more installments, at such time or times and subject to such conditions, including without limitation continued employment or the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

5.7 Annual Limit on Incentive Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year shall not exceed \$100,000.

5.8 Nontransferability of Options. Except as otherwise provided in this Section 5.8, Options shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Optionee, Options shall be exercisable only by the Optionee. At the discretion of the Committee and in accordance with rules it establishes from time to time, Optionees may be permitted to transfer some or all of their Nonqualified Options to one or more “family members,” which is not a “prohibited transfer for value,” provided that (i) the Optionee (or such Optionee’s estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Nonqualified Option; (ii) the Optionee shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the “family member” or “family members” and their relationship to the Optionee, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms “family members” and “prohibited transfer for value” have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

5.9 Rights as a Stockholder. An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised and certificates or book entries representing shares purchased upon such exercise have been issued or registered to such person.

5.10 Repricing Prohibited. Except in connection with a change in the capital structure of the Company as described in Section 4.4 hereof, the terms of any outstanding Options may not be amended to reduce the exercise price of any outstanding Options or to cancel any outstanding Options in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price or base value that is less than the exercise price of the original Options, and no other modification that would be treated as a “repricing” under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market may be made to any Options, without the prior approval of the Company’s stockholders.

5.11 Compliance with Code Section 409A. Notwithstanding anything in this Article 5 to the contrary, all Option Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 6. RESTRICTED STOCK

6.1 Issuance of Restricted Stock. The Administrator shall have the right to issue pursuant to this Plan, at a Purchase Price determined by the Administrator, shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing (by resolution or otherwise) whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

6.2 Restricted Stock Agreements. A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Restricted Stock Award Agreement until the Participant has paid the full Purchase Price, if any, to the Company in the manner set forth in Section 6.3(b) hereof and has executed and delivered to the Company the applicable Restricted Stock Award Agreement (which execution and delivery may occur by electronic, paperless means). Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

6.3 Purchase Price.

(a) Amount. Restricted Stock may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company’s earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

6.4 Vesting of Restricted Stock. The Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock may vest, as shall be determined by the Administrator.

6.5 Rights as a Stockholder. Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock acquired pursuant to a Restricted Stock Award Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Restricted Stock Award Agreement; provided, however, that in no event will a Participant receive dividends with respect to shares of Restricted Stock that vest based on specified performance goals or objectives with respect to one or more Performance Criteria until the actual performance goals or objectives

have been achieved. Unless the Administrator shall determine otherwise, certificates or book entries evidencing shares of Restricted Stock shall remain in the possession or control of the Company until such shares have vested in accordance with the terms of the Restricted Stock Award Agreement.

6.6 Restrictions. Until vested, shares of Restricted Stock may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except for transfers other than for value as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide, in the discretion of the Administrator, that the Company may, at the discretion of the Administrator, exercise a Repurchase Right to repurchase at the original Purchase Price the shares of Restricted Stock that have not vested as of the date of termination.

6.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 6 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 7. RESTRICTED STOCK UNITS

7.1 Grants of Restricted Stock Units. The Administrator shall have the right to grant Restricted Stock Units pursuant to this Plan, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria, which require the Committee to certify in writing (by resolution or otherwise) whether and the extent to which such performance goals were achieved before such restrictions are considered to have lapsed.

7.2 Restricted Stock Unit Agreements. A Participant shall have no rights with respect to the Restricted Stock Units covered by a Restricted Stock Award Agreement until the Participant has executed and delivered to the Company the applicable Restricted Stock Award Agreement (which execution and delivery may occur by electronic, paperless means). Each Restricted Stock Award Agreement shall be in such form, and shall set forth the Purchase Price, if any, and such other terms, conditions and restrictions of the Restricted Stock Award Agreement, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each such Restricted Stock Award Agreement may be different from each other Restricted Stock Award Agreement.

7.3 Purchase Price.

(a) Amount. Restricted Stock Units may be issued to Participants for such consideration as is determined by the Administrator in its sole discretion, including no consideration or such minimum consideration as may be required by applicable law.

(b) Payment. Payment of the Purchase Price, if any, may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant (provided that shares acquired pursuant to the exercise of options granted by the Company shall have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the cancellation of indebtedness of the Company to the Participant; (e) the waiver of compensation due or accrued to the Participant for services rendered; or (f) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable law.

7.4 Vesting and Settlement of Restricted Stock Units. The Restricted Stock Award Agreement shall specify the date or dates, the performance goals, if any, established by the Committee with respect to one or more Performance Criteria that must be achieved, and any other conditions on which the Restricted Stock Units may vest, and the timing and manner in which the Restricted Stock Units shall be settled, as shall be determined by the Administrator.

7.5 Rights as a Stockholder. Holders of Restricted Stock Units shall not be entitled to vote or to receive dividends unless or until they become owners of the shares of Common Stock pursuant to their Restricted Stock Award Agreement and the terms and conditions of the Plan.

7.6 Restrictions. Until vested, Restricted Stock Units may not be sold, pledged or otherwise encumbered or disposed of and shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, except for transfers other than for value as specifically provided in the Restricted Stock Award Agreement or as authorized by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Restricted Stock Award Agreement may provide that all Restricted Stock Units that have not vested as of such date shall be automatically forfeited by the Participant. However, if, with respect to such unvested Restricted Stock Units the Participant paid a Purchase Price, the Administrator shall have the right, exercisable at the discretion of the Administrator, to exercise a Repurchase Right to cancel such unvested Restricted Stock Units upon payment to the Participant of the original Purchase Price. The Participant shall forfeit such unvested Restricted Stock Units upon the Administrator's exercise of such right.

7.7 Compliance with Code Section 409A. Notwithstanding anything in this Article 7 to the contrary, all Restricted Stock Award Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 8. STOCK APPRECIATION RIGHTS

8.1 Grant of Stock Appreciation Rights. The Administrator shall have the right to grant pursuant to this Plan Stock Appreciation Rights, subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant. Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives established by the Committee with respect to one or more Performance Criteria. Stock Appreciation Rights may be granted on a basis that allows for the exercise of the right by the Participant or that provides for the automatic settlement of the right upon a specified date or event.

8.2 Stock Appreciation Right Agreements. Each Stock Appreciation Right granted pursuant to this Plan shall be evidenced by a Stock Appreciation Right Agreement, which shall specify the number of shares subject thereto, vesting provisions relating to such Stock Appreciation Right and the Base Value per share. As soon as is practicable following the grant of a Stock Appreciation Right, a Stock Appreciation Right Agreement shall be duly executed and delivered by or on behalf of the Company (which execution and delivery may occur by electronic, paperless means) to the Stock Appreciation Right Holder to whom such Stock Appreciation Right was granted. Each Stock Appreciation Right Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

8.3 Base Value. The Base Value per share of Common Stock covered by each Stock Appreciation Right shall be determined by the Administrator, except that the Base Value of a Stock Appreciation Right shall not be less than 100% of Fair Market Value of the Common Stock on the date the Stock Appreciation Right is granted.

8.4 Term and Termination of Stock Appreciation Rights. The term and provisions for termination of each Stock Appreciation Right shall be fixed by the Administrator, but no Stock Appreciation Right may be exercisable or subject to settlement more than seven (7) years after the date it is granted.

8.5 Vesting of Stock Appreciation Rights. Each Stock Appreciation Right shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation continued employment or the achievement of specified performance goals or objectives established with respect to one or more Performance Criteria, as shall be determined by the Administrator.

8.6 Exercise or Settlement of Stock Appreciation Rights. A Stock Appreciation Right will entitle the holder, upon exercise or other settlement of the Stock Appreciation Right, as applicable, to receive an amount determined by multiplying: (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise or settlement of the Stock Appreciation Right over the Base Value of such Stock Appreciation Right, by (ii) the number of shares as to which such Stock Appreciation Right is exercised or settled. Upon such exercise or

settlement, the Company shall issue to the Stock Appreciation Right Holder a number of shares of Common Stock determined by dividing the amount determined under the preceding sentence by the Fair Market Value of such shares on the date of exercise or settlement, subject to applicable tax withholding requirements and to such conditions, as are set forth in this Plan and the applicable Stock Appreciation Rights Award Agreement.

8.7 Repricing Prohibited. Except in connection with a change in the capital structure of the Company as described in Section 4.4 hereof, the terms of any outstanding Stock Appreciation Rights may not be amended to reduce the base value of any outstanding Stock Appreciation Rights or to cancel any outstanding Stock Appreciation Rights in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price or base value that is less than the base value of the original Stock Appreciation Rights, and no other modification that would be treated as a “repricing” under the then applicable rules, regulations or listing requirements adopted by the Nasdaq Stock Market may be made to any Stock Appreciation Rights, without the prior approval of the Company’s stockholders.

8.8 Nontransferability of Stock Appreciation Rights. Except as otherwise provided in this Section 8.8, Stock Appreciation Rights shall not be assignable or transferable except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights, and during the life of the Stock Appreciation Rights Holder, Stock Appreciation Rights shall be exercisable only by the Stock Appreciation Rights Holder. At the discretion of the Committee and in accordance with rules it establishes from time to time, Stock Appreciation Rights Holders may be permitted to transfer some or all of their Stock Appreciation Rights to one or more “family members,” which is not a “prohibited transfer for value,” provided that (i) the Stock Appreciation Rights Holder (or such holder’s estate or representative) shall remain obligated to satisfy all income or other tax withholding obligations associated with the exercise of such Stock Appreciation Right; (ii) the Stock Appreciation Rights Holder shall notify the Company in writing that such transfer has occurred and disclose to the Company the name and address of the “family member” or “family members” and their relationship to the holder, and (iii) such transfer shall be effected pursuant to transfer documents in a form approved by the Committee. For purposes of the foregoing, the terms “family members” and “prohibited transfer for value” have the meaning ascribed to them in the General Instructions to Form S-8 (or any successor form) promulgated under the Securities Act of 1933, as amended.

8.9 Rights as a Stockholder. A Stock Appreciation Rights Holder or permitted transferee of a Stock Appreciation Rights Holder shall have no rights or privileges as a stockholder with respect to any shares covered by a Stock Appreciation Right until such Stock Appreciation Right has been duly exercised or settled and certificates or book entries representing shares issued upon such exercise or settlement have been issued or registered to such person.

8.10 Compliance with Code Section 409A. Notwithstanding anything in this Article 8 to the contrary, all Stock Appreciation Right Agreements must be structured to satisfy the requirements of Code Section 409A, as determined by the Committee.

ARTICLE 9. ADMINISTRATION OF THE PLAN

9.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the “Committee”). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term “Administrator” means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

9.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options, Nonqualified Options, Stock Appreciation Rights or Restricted Stock Awards shall be granted, the number of shares to be represented by each Option or Stock Appreciation Right and the number of shares of Common Stock to be subject to Restricted Stock Awards, and the consideration to be received by the Company upon the exercise of such Options or sale of the Restricted Stock or the Restricted Stock Units governed by such Restricted Stock Awards; (b) to interpret the Plan;

(c) to create, amend or rescind rules, regulations and supplemental terms and conditions relating to the Plan, including those determined by the Administrator to be necessary or advisable for purposes of granting Options, Stock Appreciation Rights or Restricted Stock Awards under the Plan to Participants located outside of the United States; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement; (g) to accelerate the vesting of any Option, Stock Appreciation Right or Restricted Stock Award (including waiving any repurchase rights of the Company with respect to Restricted Stock Awards); (h) to extend the expiration date of any Option or Stock Appreciation Right (subject to the maximum term permitted for any award as stated in the Plan); (i) to amend outstanding Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (j) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants. The Administrator may delegate its authority under subsection (a) above (except with respect to grants to be made to any executive officer or any member of the Board of Directors of the Company) to the Company's management, with any grants made pursuant to such delegated authority to be ratified by the Administrator. Notwithstanding the foregoing, in no event shall the Administrator have the power or authority to take any action that would require the consent of the Company's stockholders under the terms of the Plan unless such consent has been obtained.

9.3 Limitation on Liability. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 10. CHANGE IN CONTROL

10.1 Options and Stock Appreciation Rights. In order to preserve a Participant's rights with respect to any outstanding Options and Stock Appreciation Rights in the event of a Change in Control of the Company:

(a) Vesting of all outstanding Options and Stock Appreciation Rights shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control unless the Options and Stock Appreciation Rights are to be assumed by the acquiring or successor entity (or parent thereof) or new options or new stock appreciation rights under a new stock incentive program ("New Incentives") are to be issued in exchange therefor, as provided in subsection (b) below.

(b) Vesting of outstanding Options and Stock Appreciation Right Agreements shall not accelerate if and to the extent that: (i) the Options and Stock Appreciation Rights (including the unvested portion thereof) are to be assumed by the acquiring or successor entity (or parent thereof) or new options and stock appreciation rights of comparable value are to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) the Options and Stock Appreciation Rights (including the unvested portions thereof) are to be replaced by the acquiring or successor entity (or parent thereof) with New Incentives containing such terms and provisions as the Administrator in its discretion may consider equitable. If outstanding Options or Stock Appreciation Rights are assumed, or if New Incentives of comparable value are issued in exchange therefor, then each such Option and Stock Appreciation Right or new stock option or new stock appreciation right shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee or Stock Appreciation Rights Holder would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option or Stock Appreciation Right had the Option or Stock Appreciation Right been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of each such Option or new option and the aggregate Base Value of each such Stock Appreciation Right or new stock appreciation right shall remain the same as nearly as practicable.

(c) If any Option or Stock Appreciation Right is assumed by an acquiring or successor entity (or parent thereof) or a New Incentive is issued in exchange therefor pursuant to the terms of a Change in Control transaction, then if so provided in an Option Agreement or a Stock Appreciation Right Award Agreement, the vesting of the Option, the Stock Appreciation Right or the New Incentive shall accelerate if and at such time as the Optionee's or Stock Appreciation Rights Holder's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of the Change in Control, pursuant to such terms and conditions as shall be set forth in the Option Agreement or Stock Appreciation Right Agreement, as the case may be.

(d) If vesting of outstanding Options will accelerate pursuant to subsection (a) above, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

(e) The Administrator shall have the discretion to provide in each Option Agreement and Stock Appreciation Right Agreement other terms and conditions that relate to (i) vesting of such Option or Stock Appreciation Right in the event of a Change in Control, and (ii) assumption of such Options and Stock Appreciation Rights or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option Agreement and Stock Appreciation Agreement, and may be different from and have precedence over the provisions set forth in Sections 10.1(a) - 10.1(d) above.

(f) Outstanding Options and Stock Appreciation Rights shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options or Stock Appreciation Rights are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(g) If outstanding Options or Stock Appreciation Rights will not be assumed by the acquiring or successor entity (or parent thereof), the Administrator shall cause written notice of a proposed Change in Control transaction to be given to Optionees and Stock Appreciation Rights Holders not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

10.2 Restricted Stock Awards. In order to preserve a Participant's rights with respect to any outstanding Restricted Stock Awards in the event of a Change in Control of the Company:

(a) All Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and any shares of Restricted Stock or Restricted Stock Units subject to such terminated Repurchase Rights, or Restricted Stock Units, whether or not subject to such terminated Repurchase Rights shall immediately vest in full, except to the extent that in connection with such Change in Control, the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of Restricted Stock Award Agreements or the substitution of new agreements of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares, purchase price and any applicable Performance Criteria.

(b) The Administrator in its discretion may provide in any Restricted Stock Award Agreement that if, upon a Change in Control, the acquiring or successor entity (or parent thereof) assumes such Restricted Stock Award Agreement or substitutes new agreements of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and purchase price), then any Repurchase Right provided for in such Restricted Stock Award Agreement shall terminate, and the shares of Common Stock subject to the terminated Repurchase Right or any substituted shares shall immediately vest in full, if the Participant's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of a Change in Control, pursuant to such terms and conditions as shall be set forth in the Restricted Stock Award Agreement.

ARTICLE 11.
AMENDMENT AND TERMINATION OF THE PLAN

11.1 Amendments. The Board may from time to time alter or amend in such respects as the Board may deem advisable, subject to compliance with applicable laws and the rules of the stock exchange or market system on which the Company's Common Stock is then listed or admitted to trading, and may suspend or terminate the Plan at any time; provided, however, that the Board may not alter or amend the Plan to modify or remove Section 5.10 or Section 8.7 of the Plan without the approval of the Company's stockholders. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Restricted Stock Award Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

11.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on March 25, 2025 and no Options, Stock Appreciation Rights or Restricted Stock Awards may be granted under the Plan thereafter, but Option Agreements, Stock Appreciation Right Agreements and Restricted Stock Award Agreements then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 12.
CANCELLATION AND RECISSION

12.1 Adverse Acts; Clawbacks. Unless otherwise provided in an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Administrator may cancel, terminate, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Options, Stock Appreciation Rights or Restricted Stock Awards at any time if the Participant is not in compliance with all applicable provisions of the Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, and the Plan, or if the Participant engages in any "Adverse Act." For purposes of this Section 12, an "Adverse Act" shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company in accordance with the Company's policies and any agreement in effect between the Company and the Participant pertaining to confidentiality and/or ownership of intellectual property all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company; (iv) acts that result in termination of the Participant's employment for "cause" (as defined in the applicable award agreement); (v) a material violation of any rules, policies, procedures or guidelines of the Company; or (vi) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere, to the extent permitted by applicable law, or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company. Awards shall be subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction, (iii) any compensation recovery policies adopted by the Company to implement any such requirements, and (iv) any other compensation recovery policies as may be adopted from time to time by the Company, all to the extent determined by the Committee in its discretion to be applicable to a Participant.

12.2 Agreement Upon Exercise or Settlement. Upon exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and

conditions of the Plan. In the event a Participant fails to comply with the provisions of paragraphs (i)-(vi) of Section 12.1 prior to, or during the six (6) months after, any exercise, settlement, payment or delivery pursuant to an Option Agreement, Stock Appreciation Right Agreement or Restricted Stock Award Agreement, such exercise, settlement, payment or delivery may be rescinded within two (2) years thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set off against the amount of any such gain any amount owed to the Participant by the Company.

ARTICLE 13. TAX WITHHOLDING

13.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements at such times as required pursuant to such applicable Federal, state, and local tax withholding requirements, including but not limited to: (i) with respect to any Options or Stock Appreciation Rights, the date on which the same is exercised or settled, (ii) with respect to any Restricted Stock Units, the date on which the applicable restrictions set forth in the Restricted Stock Award Agreement and the Plan lapse and/or the date on which the Restricted Stock Units are settled, and (iii) with respect to the issuance of Restricted Stock, the date on which the shares are issued, if the Purchaser makes the election set forth in Code Section 83(b), or, if the Purchaser does not make such election, then, the date on which that the applicable restrictions set forth in the Restricted Stock Award Agreement and the Plan lapse. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise or settlement of an Option or a Stock Appreciation Right or as a result of the purchase of or lapse of restrictions on Restricted Stock Awards or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 14 MISCELLANEOUS

14.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

14.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to interfere with the right of the Company or any Affiliated Company to discharge any Participant at any time.

14.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Restricted Stock Award Agreements, except as otherwise provided herein, will be used for general corporate purposes.

14.4 Annual Reports. During the term of this Plan, the Company will furnish to each Participant who does not otherwise receive such materials, copies of all reports, proxy statements and other communications that the Company distributes generally to its stockholders.

**FORM OF
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Performance-Based Vesting)**

This Restricted Stock Unit Award Agreement (the “Agreement”) is entered into as of [GRANT DATE] (the “Grant Date”), by and between Newport Corporation, a Nevada corporation (the “Company”), and [GRANTEE NAME] (the “Grantee”), pursuant to the Company’s 2011 Stock Incentive Plan (the “Plan”). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

RECITALS

A. Grantee is an employee, director, consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

B. The Company desires to award Restricted Stock Units to Grantee to provide an incentive for Grantee to remain a Service Provider of the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. Award and Acceptance of Restricted Stock Units.

(a) Award and Acceptance. The Company hereby awards to Grantee an aggregate of [NUMBER OF SHARES] Restricted Stock Units (the “Restricted Stock Units”) on and subject to the terms and conditions set forth in this Agreement and in the Plan. Grantee accepts the Restricted Stock Units and acknowledges that he or she has read and understands and agrees to be bound by the terms and conditions of this Agreement and the Plan.

(b) Restricted Stock Units. One (1) Restricted Stock Unit represents the conditional right to receive one (1) share of the Company’s Common Stock and shall be used solely as a device for the determination of any issuance of shares of Common Stock to be made to the Grantee if and when Restricted Stock Units vest pursuant to the conditions set forth in this Agreement and the Plan. The Restricted Stock Units create no fiduciary duty of the Company to the Grantee, and this Agreement creates only a contractual obligation on the part of the Company to deliver shares of the Company’s Common Stock, subject to vesting and the other terms and conditions hereof, as provided in Section 5 below. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind. No assets have been secured or set aside by the Company with respect to the Restricted Stock Units and, if amounts become payable to the Grantee pursuant to this Agreement, the Grantee’s rights with respect to such amounts shall be no greater than the rights of any general unsecured creditor of the Company.

2. Vesting of Units.

(a) Vesting Schedule. Subject to the provisions of Sections 3 and 4 below, the Restricted Stock Units evidenced by this Agreement shall vest in installments as set forth in **Exhibit A** attached hereto and incorporated herein by reference (each a “Vesting Date”), subject to the achievement of the specified performance goals established by the Committee (as defined in the Plan) with respect to the Performance Criteria (as defined in the Plan) (the “Performance Condition”) and for the performance period (the “Performance Period”) set forth in **Exhibit A**, in accordance with the provisions set forth in **Exhibit A** of this Agreement, and the other terms and conditions set forth herein.

(b) Performance Determination Date. The Committee shall determine, in its sole discretion, and certify in writing whether and the extent to which the Performance Condition was achieved. Except as otherwise set forth in Exhibit A, such determination and written certification will be made following completion of the external audit of the Company’s financial statements for the Performance Period (the “Performance Determination Date”).

3. Continuous Service.

(a) Definition of Continuous Service. For purposes of this Agreement, the term “Continuous Service” means: (1) employment of the Grantee by either the Company or any Affiliated Company (as defined in the Plan), or by any successor entity following a Change in Control (as defined in the Plan), which is uninterrupted other than by vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the “Code”)), or leaves of absence which are approved in writing by the Company or any Affiliated Company, if applicable; (2) service as a member of the Board of Directors of the Company until Grantee resigns, is removed from office, or Grantee’s term of office expires and he or she is not reelected; or (3) so long as Grantee is engaged as a Service Provider (as defined in the Plan) to the Company or an Affiliated Company. Changes in Grantee’s status among the alternatives set forth in the foregoing clauses (1), (2) and/or (3) shall not be deemed to terminate Grantee’s Continuous Service. For purposes of this Agreement, the length of the previous employment of Grantee by any entity, or relating to any business, that has been acquired by the Company or any Affiliated Company shall be included for purposes of calculating the number of years of Grantee’s Continuous Service.

(b) Termination of Continuous Service. In the event of any termination of Grantee’s Continuous Service, notwithstanding Section 2(a) above, vesting of the Restricted Stock Units shall cease immediately upon a termination of Grantee’s Continuous Service. Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Continuous Service. Any Restricted Stock Units subject to this Agreement, to the extent not vested as of the date of termination of Grantee’s Continuous Service, shall be automatically forfeited by Grantee as of such date (regardless of the reason for such termination, including, without limitation, a termination due to death or permanent disability), and the Grantee shall have no further rights with respect to such Restricted Stock Units.

4. Change in Control. Notwithstanding Section 2(a) above, in the event there occurs a Change in Control (as defined in the Plan) of the Company, then, except as provided herein, the portion of the Restricted Stock Units that is outstanding and unvested immediately prior to such occurrence shall accelerate and become fully vested (100% achievement of the Performance Condition shall be deemed to have occurred) upon (or, as may be necessary to effect such acceleration, immediately prior to) the consummation of the Change in Control. If, however, this Agreement is assigned by the Company and assumed by the acquiring or successor entity (or parent thereof), or if a new agreement of comparable value covering shares of a successor entity (or parent thereof) is to be issued in exchange therefor, in connection with such Change in Control transaction (as such events are more particularly described in the Plan), then vesting of the Restricted Stock Units shall not accelerate and the time-based vesting schedule shall continue to apply, but 100% achievement of the Performance Condition shall be deemed to have occurred.

5. Timing and Manner of Settlement of Restricted Stock Units. In the event that Restricted Stock Units subject to this Agreement vest in accordance with the conditions set forth in this Agreement, the shares of the Company's Common Stock which Grantee is entitled to receive upon such vesting shall be issued in book-entry form, registered in Grantee's name or in the name of Grantee's legal representatives, beneficiaries or heirs, as the case may be, promptly or as soon as practicable after the Vesting Date of such Restricted Stock Units, in settlement of such vested whole Restricted Stock Units, unless such settlement is deferred in accordance with the terms and conditions of the Company's nonqualified compensation deferral plans and in compliance with Section 409A of the Code. Such delivery of shares shall be subject to the tax withholding provisions of Section 6(b) and subject to adjustment as provided in Section 7, and shall be nonassessable and in complete satisfaction of such vested Restricted Stock Units. The Grantee shall deliver to the Company any representations or other documents or assurances required pursuant to Section 11.

6. Tax Matters.

(a) Compliance with Tax Laws. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee.

(b) Tax Withholding. The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any Affiliated Company may reasonably be obligated to withhold with respect to the grant, vesting, or other event with respect to the Restricted Stock Units. The Company may, in its sole discretion, withhold a sufficient number of shares of Common Stock in connection with the vesting of the Restricted Stock Units at the Fair Market Value (as defined in the Plan) of the Common Stock (determined as of the date of measurement of the amount of income subject to such withholding) to satisfy the amount of any such withholding obligations that arise with respect to the vesting of such Restricted Stock Units. The Company may take such action(s) without notice to the Grantee and shall remit to the Grantee the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. The Grantee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, any withholding event occurs with respect to the Restricted Stock Units other than upon the vesting of such Restricted Stock Units, or if the Company for any reason does not satisfy the withholding obligations with respect to the vesting of the Restricted Stock Units as provided above in this Section 6(b), the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee the amount of any such withholding obligations.

(c) Tax Treatment. The Restricted Stock Units evidenced by this Agreement, and the issuance of shares of Common Stock to the Grantee in settlement of vested Restricted Stock Units, are intended to be taxed under the provisions of Section 83 of the Code, and are not intended to provide and do not provide for the deferral of compensation within the meaning of Section 409A(d) of the Code. Therefore, the Company intends to report as includible in the Grantee's gross income for any taxable year an amount equal to the Fair Market Value of the shares of Common Stock covered by the Restricted Stock Units that vest (if any) during such taxable year, determined as of the date such Restricted Stock Units are settled and the shares are delivered to the Grantee. The Company reserves the right to amend this Agreement, without the Grantee's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section.

7. Adjustments Upon Specified Events.

(a) Adjustment in Number and Kind. In the event that the outstanding shares of the Company's Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, then the Company shall make appropriate adjustments to the number of Restricted Stock Units subject to this Agreement and to the number and kind of securities that may be issued in respect of such Restricted Stock Units, in order to preserve, as nearly as practical, but not to increase, the benefits to the Grantee.

(b) Adjustment to Performance Measures. With respect to the Performance Condition, the Company shall adjust the performance measure, performance goal and other provisions of this Agreement to the extent (if any) it determines, in its sole discretion, that the adjustment is necessary or advisable to preserve the intended incentives and benefits to reflect (1) any stock split, reverse stock split, stock dividend, material change in corporate capitalization, any material corporate transaction (such as a reorganization, combination, separation, merger, acquisition, or any combination of the foregoing), or any complete or partial liquidation of the Company, (2) any change in accounting policies or practices, (3) the effects of any special charges to the Company's earnings, or (4) any other similar special circumstances.

8. No Stockholder Rights. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units or any shares of Common Stock issuable in respect of such Restricted Stock Units, until

shares of Common Stock are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the shares of Common Stock, except as provided in Section 7 hereof.

9. Restrictions on Transfer. Until shares of the Company's Common Stock have been issued free of restrictions in settlement of vested Restricted Stock Units, neither the Restricted Stock Units nor any interest therein or amount payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered by the Grantee, either voluntarily or involuntarily, except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights or except as authorized by the Administrator of the Plan in its sole discretion. The transfer restrictions set forth in this Section 9 shall not apply to transfers to the Company. Notwithstanding the foregoing, upon the issuance of shares of the Company's Common Stock in settlement of vested Restricted Stock Units, the restrictions set forth in this Section 9 shall continue to apply to such issued shares until such time as the Grantee has satisfied all holding period requirements applicable to the Grantee based on his or her position with the Company under any Company policy.

10. Adverse Activity. The Company may cancel, rescind, suspend, withhold or otherwise limit or restrict all or any portion of the Restricted Stock Units at any time if the Grantee is not in compliance with all applicable provisions of this Agreement and the Plan, or if the Grantee engages in any "Adverse Activity." For purposes of this Section 10, "Adverse Activity" shall include: (a) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (b) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Grantee either during or after employment or other engagement with the Company; (c) the failure or refusal to disclose promptly and to assign to the Company (in accordance with the Company's policies and any agreement in effect between the Company and the Grantee pertaining to confidentiality and/or ownership of intellectual property) all right, title and interest in any invention or idea, patentable or not, made or conceived by the Grantee during employment by the Company, utilizing any Company property, during Grantee's working time, or relating in any manner to the actual or anticipated business, research or development work of the Company; (d) activity that results in termination of the Grantee's employment for cause; (e) a material violation of any rules, policies, procedures or guidelines of the Company; or (f) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company.

11. Compliance with Laws. The award of Restricted Stock Units and the offer, issuance and delivery of securities under this Agreement are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The Grantee will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company will cause such action to be taken, and such filings to be made, so that the grant hereunder shall comply with the rules of the Nasdaq National Market or the principal stock exchange on which shares of the Company's Common Stock are then listed for trading.

12. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the shares of the Company's Common Stock to Grantee pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained. The Company shall not be required to: (a) transfer on its books any Restricted Stock Units or any shares issued in respect thereof which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (b) treat as owner of such issued shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such issued shares shall have been so transferred.

13. Legends. In the event, and only in the event, that, at the time any Restricted Stock Units are to be settled in shares of Common Stock pursuant to this Agreement, the Company does not have an effective Form S-8 Registration Statement on file with the Securities and Exchange Commission with respect to the offer and sale of shares of Common Stock covered by this Agreement, the certificates, if any, representing the shares of Common Stock so paid will bear a legend in substantially the following form:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY APPLICABLE STATE LAW. THEY MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED WITHOUT (1) REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE LAW, OR (2) AN OPINION (SATISFACTORY TO THE COMPANY) OF COUNSEL (SATISFACTORY TO THE COMPANY) THAT REGISTRATION IS NOT REQUIRED."

14. "Market Stand-Off" Agreement. Grantee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities (including any acquisition transaction where Company securities will be used as all or part of the purchase price), Grantee will not sell or otherwise transfer or dispose of any shares of Common Stock held by Grantee that were issued upon the settlement of the Restricted Stock Units without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

15. No Agreement to Employ. Nothing contained in this Agreement constitutes an employment commitment by the Company or any Affiliated Company, confers upon the Grantee any right to remain employed by the Company or any Affiliated Company, or interferes in any way with the right of the Company or any Affiliated Company at any time to terminate such employment. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Grantee under any written agreement with the Company or any Affiliated Company.

16. General.

(a) Section Headings; Number and Gender. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

(b) Governing Law; Attorneys' Fees. The validity, construction, interpretation, and effect of this Agreement shall be governed by and determined in accordance with the laws of the State of California except for matters related to corporate law, in which case the provisions of the Nevada corporation law shall govern. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party reasonable attorneys' fees and costs.

(c) Severability. If any provision of this Agreement or the application thereof is held to be invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications, and to this end the provisions of this Agreement are declared to be severable.

(d) Entire Agreement. This Agreement, including Exhibit A hereto, embodies the entire agreement of the parties hereto respecting the matters within the scope of this Agreement and supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof, except as otherwise set forth in Section 15 hereof. Any such prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein. This Agreement is an integrated Agreement as to the subject matter hereof.

(e) Interpretation. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan, and shall in all respects be interpreted in accordance therewith. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative. The Administrator shall interpret and construe this Agreement and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Grantee.

(f) Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto. Notwithstanding the foregoing, amendments made pursuant to Section 6(c) or 7 hereof may be effectuated solely by the Company.

(g) Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Company and be binding upon the Grantee and his heirs, executors, administrators, successors and permitted assigns.

(h) Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(i) Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: General Counsel, and if to the Grantee, at his or her most recent address as shown in the employment or stock records of the Company.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Copies of such signed counterparts may be used in lieu of the originals for any purpose.

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

NEWPORT CORPORATION

GRANTEE:

By: _____
Name: _____
Title: _____

[GRANTEE NAME]

EXHIBIT A

VESTING SCHEDULE

The vesting of all Restricted Stock Units evidenced by this Agreement will be conditioned upon the achievement by the Company of the following financial performance goal(s):

<u>Performance Measure</u>	<u>Target Level</u>

If the financial performance goal(s) set forth above are achieved by the Company, the Restricted Stock Units will vest in equal **[NUMBER OF INSTALLMENTS]** installments on **[VESTING DATES]**. If such financial performance goal(s) are not achieved, all Restricted Stock Units will be forfeited effective as of the Performance Determination Date.

**FORM OF
STOCK APPRECIATION RIGHT AWARD AGREEMENT**

THIS STOCK APPRECIATION RIGHT AWARD AGREEMENT (the "Agreement") is entered into as of [GRANT DATE] (the "Grant Date"), by and between Newport Corporation, a Nevada corporation (the "Company"), and [GRANTEE NAME] (the "Grantee") pursuant to the Company's 2011 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

RECITALS

A. Grantee is an employee, director, consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

B. The Company desires to award Stock Appreciation Rights to Grantee to provide an incentive for Grantee to remain a Service Provider of the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. Grant of Stock Appreciation Rights. The Company hereby grants to Grantee Stock Appreciation Rights with respect to [NUMBER OF SHARES] shares of the Company's Common Stock at the Base Value per share set forth in Section 2 below (the "SARs") on and subject to the terms and conditions set forth in this Agreement and in the Plan.

2. Base Value. The Base Value of each SAR is \$[BASE VALUE], which is equal to the Fair Market Value of a share of the Company's Common Stock on the Grant Date.

3. Vesting Schedule. Subject to the provisions of Sections 4 and 5 below, the SARs evidenced by this Agreement shall vest in equal [NUMBER OF INSTALLMENTS] installments on [VESTING DATES] (each a "Vesting Date") pursuant to the terms and conditions set forth herein. If the vesting schedule results in a fractional share vesting on a particular vesting date, the number of shares vesting will be rounded down and the fractional share will be added to a future vesting date.

4. Continuous Service.

(a) Definition of Continuous Service. For purposes of this Agreement, the term "Continuous Service" means: (1) employment of the Grantee by either the Company or any Affiliated Company (as defined in the Plan), or by any successor entity following a Change in Control (as defined in the Plan), which is uninterrupted other than by vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code")), or leaves of absence which are approved in writing by the Company or any Affiliated Company, if applicable; (2) service as a member of the Board of Directors of the Company until Grantee resigns, is removed from office, or Grantee's term of office expires and he or she is not reelected; or (3) so long as Grantee is engaged as a Service Provider (as defined in the Plan) to the Company or an Affiliated Company. Changes in Grantee's status among the alternatives set forth in the foregoing clauses (1), (2) and/or (3) shall not be deemed to terminate Grantee's Continuous Service. For purposes of this Agreement, the length of previous employment of Grantee by any entity, or relating to any business, that has been acquired by the Company or any Affiliated Company shall be included for purposes of calculating the number of years of Grantee's Continuous Service.

(b) Termination of Continuous Service. In the event of any termination of Grantee's Continuous Service, notwithstanding Section 3 above, vesting of the SARs shall cease immediately upon a termination of Grantee's Continuous Service. Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Continuous Service. Any SARs subject to this Agreement, to the extent not vested as of the date of termination of Grantee's Continuous Service, shall be automatically cancelled as of such date (regardless of the reason for such termination, including, without limitation, a termination due to death or permanent disability), and the Grantee shall have no further rights with respect to such SARs; provided, however, that any SARs that have vested as of the date of termination of Grantee's Continuous Service shall continue to be exercisable in accordance with Section 6(a) below.

5. Change in Control. Notwithstanding Section 3 above, in the event there occurs a Change in Control (as defined in the Plan) of the Company, then, except as provided herein, the portion of the SARs that is outstanding and unvested immediately prior to such occurrence shall accelerate and become fully vested upon (or, as may be necessary to effect such acceleration, immediately prior to) the consummation of the Change in Control. If, however, this Agreement is assigned by the Company and assumed by the acquiring or successor entity (or parent thereof), or if new stock appreciation rights or stock options of comparable value are to be issued in exchange therefor, in connection with such Change in Control transaction (as such events are more particularly described in the Plan), then vesting of the SARs shall not accelerate and the time-based vesting schedule shall continue to apply.

6. Right to Exercise.

(a) Exercise Period. The right of the Grantee to exercise SARs that have vested in accordance with the terms of this Agreement shall terminate upon the first to occur of the following:

(i) the expiration of seven (7) years from the date of this Agreement;

(ii) the expiration of three (3) months from the date of termination of Grantee's Continuous Service if such termination occurs for any reason other than Qualifying Retirement (as defined hereinbelow), permanent disability, death or cause; provided, however, that if Grantee dies during such three-month period the provisions of subsection 6(a)(v) below shall apply;

(iii) immediately on the date of termination of Grantee's Continuous Service if such termination occurs for cause;

(iv) the expiration of one (1) year from the date of termination of Grantee's Continuous Service if such termination is due to permanent disability of the Grantee (as defined in Section 22(e)(3) of the Code) where the Grantee does not have ten (10) years of Continuous Service at the time of such termination;

(v) the expiration of one (1) year from the date of termination of Grantee's Continuous Service if such termination is due to Grantee's death or if death occurs during the three-month period following termination of Grantee's Continuous Service pursuant to subsection 6(a)(ii) above, in either case where the Grantee does not have ten (10) years of Continuous Service at the time of such termination;

(vi) the expiration of seven (7) years from the date of this Agreement if such termination is due to: (i) Grantee's Qualifying Retirement, (ii) Grantee's permanent disability (as defined in Section 22(e)(3) of the Code), where at the time of Grantee's termination Grantee has ten (10) years of Continuous Service, or (iii) Grantee's death, where at the time of Grantee's termination Grantee has ten (10) years of Continuous Service; or

(vii) upon the consummation of a Change in Control, unless otherwise provided pursuant to Section 5 above.

(b) Qualifying Retirement. For purposes of this Agreement, a "Qualifying Retirement" shall occur if at the time of Grantee's retirement

(i) Grantee has had ten (10) years of Continuous Service and (ii) is age 59 1/2 or older.

7. Delivery of Common Stock Upon Exercise. Upon exercise of the SARs, Grantee will receive an amount, payable in shares of the Company's Common Stock, determined by multiplying: (a) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the SARs over the Base Value of such Stock Appreciation Right, by (b) the number of shares of Common Stock as to which such SARs are exercised. Upon such exercise, the Company shall issue to Grantee a number of whole shares of Common Stock determined by dividing the amount determined under the preceding sentence by the Fair Market Value of such shares on the date of exercise (any fractional share to be rounded down), subject to applicable tax withholding requirements as set forth in Section 8(b).

8. Tax Matters.

(a) Compliance with Tax Laws. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee.

(b) Tax Withholding. The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any Affiliated Company may reasonably be obligated to withhold with respect to the grant, vesting, exercise or other event with respect to the SARs. The Company may, in its sole discretion, withhold a sufficient number of shares of Common Stock in connection with the exercise of the SARs at the Fair Market Value (as defined in the Plan) of the Common Stock (determined as of the date of measurement of the amount of income subject to such withholding) to satisfy the amount of any such withholding obligations that arise with respect to the exercise of such SARs. The Company may take such action(s) without notice to the Grantee and shall remit to the Grantee the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. The Grantee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, any withholding event occurs with respect to the SARs other than upon the exercise of such SARs, or if the Company for any reason does not satisfy the withholding obligations with respect to the exercise of the SARs as provided above in this Section 8(b), the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee the amount of any such withholding obligations.

(c) Tax Treatment. The SARs evidenced by this Agreement, and the issuance of shares of Common Stock or payments to the Grantee in connection with the exercise of the SARs, are intended to be taxed under the provisions of Section 83 of the Code, and are not intended to provide and do not provide for the deferral of compensation within the meaning of Section 409A(d) of the Code. The Company reserves the right to amend this Agreement, without the Grantee's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section.

9. Adjustment in Number and Kind. In the event that the outstanding shares of the Company's Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, reclassification, stock dividend, or other change in the capital structure of the Company, then the Company shall make appropriate adjustments to the number of SARs subject to this Agreement and to the number and kind of securities that may be issued in respect of such SARs, in order to preserve, as nearly as practical, but not to increase, the benefits to the Grantee.

10. No Stockholder Rights. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the SARs or any shares of Common Stock issuable in respect of such SARs, unless and until shares of Common Stock are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the shares of Common Stock upon the exercise of the SARs, except as provided in Section 9 hereof.

11. Restrictions on Transfer. Until shares of the Company's Common Stock have been issued free of restrictions in connection with the exercise of the SARs, neither the SARs nor any interest therein or amount payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered by the Grantee, either voluntarily or involuntarily, except by will, the laws of descent and distribution or pursuant to a DRO entered by a court in settlement of marital property rights or except as authorized by the Administrator of the Plan in its sole discretion. The transfer restrictions set forth in this Section 11 shall not apply to transfers to the

Company. Notwithstanding the foregoing, upon the issuance of shares of the Company's Common Stock in settlement of exercised SARs, the restrictions set forth in this Section 11 shall continue to apply to such issued shares until such time as the Grantee has satisfied all holding period requirements applicable to the Grantee based on his or her position with the Company under any Company policy.

12. Adverse Activity. The Company may cancel, rescind, suspend, withhold or otherwise limit or restrict all or any portion of the SARs at any time if the Grantee is not in compliance with all applicable provisions of this Agreement and the Plan, or if the Grantee engages in any "Adverse Activity." For purposes of this Section 12, "Adverse Activity" shall include: (a) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (b) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Grantee either during or after employment or other engagement with the Company; (c) the failure or refusal to disclose promptly and to assign to the Company (in accordance with the Company's policies and any agreement in effect between the Company and the Grantee pertaining to confidentiality and/or ownership of intellectual property) all right, title and interest in any invention or idea, patentable or not, made or conceived by the Grantee during employment by the Company, utilizing any Company property, during Grantee's working time, or relating in any manner to the actual or anticipated business, research or development work of the Company; (d) activity that results in termination of the Grantee's employment for cause; (e) a material violation of any rules, policies, procedures or guidelines of the Company; or (f) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company.

13. Compliance with Laws. The award of SARs and the offer, issuance and delivery of securities under this Agreement are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The Grantee will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company will cause such action to be taken, and such filings to be made, so that the grant hereunder shall comply with the rules of the Nasdaq National Market or the principal stock exchange on which shares of the Company's Common Stock are then listed for trading.

14. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the shares of the Company's Common Stock to Grantee pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained. The Company shall not be required to: (a) transfer on its books any SARs or any shares issued in respect thereof which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (b) treat as owner of such issued shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such issued shares shall have been so transferred.

15. Legends. In the event, and only in the event, that, at the time shares of Common Stock are to be issued in connection with the exercise of the SARs pursuant to this Agreement, the Company does not have an effective Form S-8 Registration Statement on file with the Securities and Exchange Commission with respect to the offer and sale of shares of Common Stock covered by this Agreement, the certificates, if any, representing the shares of Common Stock so paid will bear a legend in substantially the following form:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY APPLICABLE STATE LAW. THEY MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED WITHOUT (1) REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE LAW, OR (2) AN OPINION (SATISFACTORY TO THE COMPANY) OF COUNSEL (SATISFACTORY TO THE COMPANY) THAT REGISTRATION IS NOT REQUIRED."

16. "Market Stand-Off" Agreement. Grantee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities (including any acquisition transaction where Company securities will be used as all or part of the purchase price), Grantee will not sell or otherwise transfer or dispose of any shares of Common Stock held by Grantee that were received upon the exercise of the SARs without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

17. No Agreement to Employ. Nothing contained in this Agreement constitutes an employment commitment by the Company or any Affiliated Company, confers upon the Grantee any right to remain employed by the Company or any Affiliated Company, or interferes in any way with the right of the Company or any Affiliated Company at any time to terminate such employment. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Grantee under any written agreement with the Company or any Affiliated Company.

18. General.

(a) Section Headings; Number and Gender. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

(b) Governing Law; Attorneys' Fees. The validity, construction, interpretation, and effect of this Agreement shall be governed by and determined in accordance with the laws of the State of California except for matters related to corporate law, in which case the provisions of the Nevada corporation law shall govern. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party reasonable attorneys' fees and costs.

(c) Severability. If any provision of this Agreement or the application thereof is held to be invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications, and to this end the provisions of this Agreement are declared to be severable.

(d) Entire Agreement. This Agreement, including Exhibit A hereto, embodies the entire agreement of the parties hereto respecting the matters within the scope of this Agreement and supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof, except as otherwise set forth in Section 17 hereof. Any such prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein. This Agreement is an integrated Agreement as to the subject matter hereof.

(e) Interpretation. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan, and shall in all respects be interpreted in accordance therewith. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative. The Administrator shall interpret and construe this Agreement and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Grantee.

(f) Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto. Notwithstanding the foregoing, amendments made pursuant to Section 8(c) or 9 hereof may be effectuated solely by the Company.

(g) Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Company and be binding upon the Grantee and his heirs, executors, administrators, successors and permitted assigns.

(h) Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(i) Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: General Counsel, and if to the Grantee, at his or her most recent address as shown in the employment or stock records of the Company.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Copies of such signed counterparts may be used in lieu of the originals for any purpose.

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

NEWPORT CORPORATION

GRANTEE:

By: _____
Name: _____
Title: _____

[GRANTEE NAME]

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT is effective as of [date], between NEWPORT CORPORATION, a Nevada corporation (the “Company”), and [name] (“Indemnitee”), an officer and/or member of the Board of Directors of the Company.

WHEREAS, the Company desires the benefits of having Indemnitee serve as an officer and/or director secure in the knowledge that expenses, liabilities and losses incurred by him in his good faith service to the Company will be borne by the Company or its successors and assigns in accordance with applicable law; and

WHEREAS, the Company desires that Indemnitee resist and defend against what Indemnitee may consider to be unjustified investigations, claims, actions, suits and proceedings which have arisen or may arise in the future as a result of Indemnitee’s service to the Company notwithstanding that conditions in the insurance markets may make directors’ and officers’ liability insurance coverage unavailable or available only at premium levels which the Company may deem inappropriate to pay; and

WHEREAS, the parties believe it appropriate to memorialize and reaffirm the Company’s indemnification obligations to Indemnitee and, in addition, set forth the indemnification agreements contained herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. Indemnitee shall be indemnified and held harmless by the Company to the fullest extent permitted by its Articles of Incorporation, Bylaws and applicable law, as the same exist or may hereafter be amended, against all expenses, liabilities and losses (including attorneys’ fees, judgments, fines, and amounts paid or to be paid in any settlement approved in advance by the Company, such approval not to be unreasonably withheld) (collectively, “Indemnifiable Expenses”) actually and reasonably incurred or suffered by Indemnitee in connection with any present or future threatened, pending or contemplated investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (collectively, “Indemnifiable Litigation”), (i) to which Indemnitee is or was a party or is threatened to be made a party by reason of any action or inaction in Indemnitee’s capacity as a director or officer of the Company, or as a member of any committee of the Board of Directors, or in his capacity as the Beneficiaries’ Representative, or (ii) with respect to which Indemnitee is otherwise involved by reason of the fact that Indemnitee is or was serving as a director, officer, employee or agent of the Company, or of any subsidiary or division, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Notwithstanding the foregoing, Indemnitee shall have no right to indemnification for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

(b) Contribution. If the indemnification provided for in Section 1(a) above for any reason is held by a court of competent jurisdiction to be unavailable to an Indemnitee in respect of any losses, claims, damages, expenses or liabilities referred to therein, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by Indemnitee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to

reflect the relative benefits received by the Company and the Indemnitee, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Indemnitee in connection with any action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. In connection with any registration of the Company's securities, the relative benefits received by the Company and the Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Company and the Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Company and the Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 1(b) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In connection with the registration of the Company's securities, in no event shall an Indemnitee be required to contribute any amount under this Section 1(b) in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by such Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(c) Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitee or any officer, director, employee, agent or controlling person of the Indemnitee.

(d) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Indemnifiable Expenses under this Agreement or any other agreement or under the Company's Articles of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 8(d) hereof) shall be selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to abide by such opinion and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(e) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 7 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section (1)(a) hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Indemnifiable Expenses incurred by Indemnitee in connection therewith.

2. Interim Expenses. The Company agrees to pay Indemnifiable Expenses incurred by Indemnitee in connection with any Indemnifiable Litigation on a current basis, in advance of the final disposition thereof, provided that the Company has received an undertaking by or on behalf of Indemnitee, substantially in the form attached hereto as Exhibit A, to repay the amount so advanced to the extent that it is ultimately determined by court order or judgment from which no further right of appeal exists, that Indemnitee is not entitled to be indemnified by the Company under this Agreement or otherwise.

3. Trust Fund, Beneficiaries' Representative.

(a) The Company may establish or fund a trust, in the sole discretion of the Board of Directors of the Company and with no obligation to do so, to satisfy certain of the Company's obligations under this Agreement and similar agreements with other directors and/or officers (collectively, including Indemnitee, the "Beneficiaries"). Therefore, in addition to Indemnitee's rights under this Indemnification Agreement and any applicable insurance policy, Indemnitee shall, if such trust has been established and has remained funded, also have the right to seek indemnification payments from the trustee of the trust ("Trustee") in accordance with the terms of this Agreement and of the trust agreement.

(b) All communications or demands made by and among the Company, the Trustee, if any, and the Beneficiaries are to be made through the individual designated as the Beneficiaries' representative ("Beneficiaries' Representative"). The Beneficiaries' Representative as of the date of this Agreement is Robert L. Guyett. The Beneficiaries' Representative may be changed from time to time and at any time upon agreement of two-thirds of the Beneficiaries. In discharging his obligations hereunder, the Beneficiaries' Representative shall at all times act expeditiously and in a manner reasonably believed to be in the best interests of the Beneficiaries.

4. Procedure for Making Demand. In the event the trust contemplated by Section 3 is established, the Beneficiaries' Representative shall have the exclusive right and obligation to make demands on behalf of all Beneficiaries for payments for Indemnifiable Expenses, including advance payments as set forth in Section 2. In order to receive payment, Indemnitee shall make demand on the Beneficiaries' Representative, who then has the right and obligation first to make demand upon the Company to honor its indemnity obligations and pay the Indemnifiable Expenses. If the Company fails to do so within fifteen (15) days, the Beneficiaries' Representative shall then have the right and obligation to make demand under any applicable policy of directors' and officers' liability insurance then in effect upon the insurance company (the "Insurance Company") issuing such policy. If the Insurance Company fails to pay the demand within fifteen (15) days, then the Beneficiaries' Representative shall, if the trust is funded at such time, be entitled and obligated to make demand upon the Trustee for such payment. Indemnitee shall not be required to institute a lawsuit or take other actions against the Company, Insurance Company or any insurer to recover the unpaid amount prior to the Beneficiaries' Representative making a demand and receiving payment from the Trustee on his behalf, but the Beneficiaries' Representative shall deliver a certificate to the Trustee at the time of payment of each distribution certifying that no part of such payment has been previously received from the Company or any insurer. If the Beneficiaries' Representative fails to take any action required hereunder, Indemnitee may take the action directly.

5. Failure to Indemnify.

(a) If a claim under this Agreement, or any statute, or under any provision of the Company's Articles of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company or the Insurance Company within forty-five (45) days after a written request for payment thereof has been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action.

(b) It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of interim expenses pursuant to Section 2 hereof unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its board of directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its board of directors, any committee or subgroup of the board of directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

6. Retention of Counsel.

(a) Whether Indemnitee is seeking payment of Indemnifiable Expenses directly from the Company, the Trustee, if any, or from the Insurance Company, the Beneficiaries' Representative shall have the right and obligation on behalf of Indemnitee and other Beneficiaries, to (i) select counsel to represent them with respect to any matter subject to indemnification and payment hereunder; (ii) coordinate the defense of any such matter; and (iii) approve the fees and other expenses of counsel selected by him pursuant hereto.

(b) Notwithstanding the foregoing, Indemnitee may retain different counsel than the other Beneficiaries, or may incur expenses not shared in common with the other Beneficiaries, in connection with any Indemnifiable Litigation if in the reasonable judgment of Indemnitee there may be legal defenses available to him which are different from or additional to those available to the other Beneficiaries and, as a consequence, an actual or potential conflict of interest with the other Beneficiaries exists, or if other facts or circumstances exist which would make the representation of Indemnitee and other Beneficiaries inappropriate due to conflicts of interest. Indemnitee must obtain the prior written approval of the Beneficiaries' Representative to retain such counsel, which consent shall not be unreasonably withheld. In the event that the Beneficiaries' Representative withholds such consent, Indemnitee shall then have the right to seek approval for such separate counsel from the Company, or the Trustee, if any, which approval shall not be unreasonably withheld.

(c) Nothing contain herein shall prohibit Indemnitee from retaining other counsel at Indemnitee's own expense.

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

8. Construction of Certain Phrases.

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

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

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) there shall be consummated any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Voting Securities would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Voting Securities immediately prior to the merger have the same proportionate ownership of at least eighty percent (80%) of common stock of the surviving corporation immediately after the merger; (ii) there shall be consummated any consolidation or merger of the Company in which the Company is the surviving corporation, but the holders of the Company's outstanding Voting Securities immediately prior to such merger or consolidation hold, in the aggregate, securities possessing less than eighty percent (80%) of the total combined voting power of all outstanding Voting Securities of the Company immediately after such merger or consolidation; (iii) there shall be consummated any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; (iv) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (v) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of the Company's outstanding Voting Securities (other than any such person who is

the record owner of at least 15% of the Company's outstanding Voting Securities on the date hereof, other than nominees); (vi) during any period of two consecutive years during the term of this Agreement, individuals who at the beginning of the two year period constituted the entire Board of Directors do not for any reason constitute a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; (vii) an event shall occur constituting a "Business Combination" under the Company's Articles of Incorporation as amended to date.

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

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

9. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Indemnifiable Litigation regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company of any other enterprise at the Company's request.

10. Contract Rights Not Exclusive. Except as provided in Section 16, the contract rights conferred by this Agreement shall be in addition to, but not exclusive of, any other right which Indemnitee may have or may hereafter acquire under any statute, provision of the Company's Articles of Incorporation or Bylaws, agreement, vote of stockholders or disinterested directors, or otherwise.

11. Indemnitee's Obligations. The Indemnitee shall promptly advise the Company in writing of the institution of any investigation, claim, action, suit or proceeding which is or may be subject to this Agreement and keep the Company generally informed of, and consult with the Company with respect to, the status of any such investigation, claim, action, suit or proceeding. Notices to the Company shall be directed to Newport Corporation, 1791 Deere Avenue, Irvine, California 92606, Attn: President (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received when delivered if delivery is in person or by courier, or three days after the date postmarked if sent by certified or registered mail, properly addressed. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

12. No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Indemnifiable Litigation by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

13. Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Indemnifiable Litigation pursuant to Section 11 hereof, the Company has liability insurance in effect which may cover such Indemnifiable Litigation, the Company shall give prompt notice of the commencement of such Indemnifiable Litigation to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnatee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

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

15. Severability. Should any provision of this Agreement, or any clause hereof, be held to be invalid, illegal or unenforceable, in whole or in part, the remaining provisions and clauses of the Agreement shall remain fully enforceable and binding on the parties.

16. Entire Agreement; Modification and Waiver. This Agreement constitutes the entire agreement between the Indemnatee and the Company with respect to the subject matter hereof and replaces and supersedes all prior indemnification agreements between Indemnatee and the Company. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. Consent to Jurisdiction. The Company and Indemnatee each hereby irrevocably consent to the jurisdiction of the courts of the State of California for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state and federal courts sitting in the County of Orange, State of California, which shall be the exclusive and only proper forum for adjudicating such a claim.

18. Choice of Law. The validity, interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Nevada.

[signature page follows]

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

NEWPORT CORPORATION

By: _____
Name: _____
Title: _____

INDEMNITEE

[Name]

EXHIBIT A

UNDERTAKING AGREEMENT

This UNDERTAKING AGREEMENT is effective as of _____, 20____, between NEWPORT CORPORATION, a Nevada corporation (the "Company") and _____ ("Indemnitee"), an officer and/or member of the Board of Directors of the Company.

WHEREAS, Indemnitee may become involved in investigations, claims, actions, suits or proceedings which have arisen or may arise in the future as a result of Indemnitee's service to the Company;

WHEREAS, Indemnitee desires that the Company pay any and all expenses (including, but not limited to, attorneys' fees and court costs) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in defending or investigating any such suits or claims and that such payment be made in advance of the final disposition of such investigations, claims, actions, suits or proceedings to the extent that Indemnitee has not been previously reimbursed by insurance; and

WHEREAS, the Company is willing to make such payments but, in accordance with Article TENTH of the Bylaws of the Company and Section 78.751 of the Nevada Revised Statutes, the Company may make such payments only if it receives an undertaking to repay from Indemnitee; and

WHEREAS, Indemnitee is willing to give such an undertaking;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. In regard to any payments made by the Company to Indemnitee pursuant to the terms of the Indemnification Agreement dated _____, 20____, between the Company and Indemnitee, if it shall ultimately be determined by court order or judgment from which no further right of appeal exists, that the Indemnitee is not entitled to be indemnified by the Company pursuant to the Bylaws of the Company and Section 78.751 of the Nevada Revised Statutes, or other applicable law, Indemnitee hereby undertakes and agrees to repay to the Company any and all amounts so paid promptly and in any event within thirty (30) days after such determination.

2. This Agreement shall not affect in any manner rights which Indemnitee may have against the Company, any insurer or any other person to seek indemnification for or reimbursement of any expenses referred to herein or any judgment which may be rendered in any litigation or proceeding.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

NEWPORT CORPORATION

By: _____
Name: _____
Title: _____

INDEMNITEE

3. The intent of the foregoing adjustments to each of your Newport RSUs is to preserve their value as determined in connection with the Merger, and you agree that this assumption satisfies Section 10.2 of the applicable Newport Plan.

4. The following provisions will govern the Assumed Newport RSU award:

(a) Unless the context otherwise requires, all references in the applicable RSU Agreement and the applicable Newport Plan (to the extent incorporated into such RSU Agreement) are adjusted as follows: (i) all references to the “Company” mean Newport (after the merger with a subsidiary of MKS) and any successor entity into which Newport is subsequently merged and, for purposes of “Reorganization Event” under the MKS Incentive Plan, MKS, (ii) all references to “Stock,” “Common Stock” or “Shares” mean shares of MKS Common Stock, (iii) all references to the “Board” mean the Board of Directors of MKS or the Compensation Committee of such Board and (iv) any interpretation of corporate law for purposes of the Assumed Newport RSU award will be under Massachusetts law rather than Nevada law.

(b) All other provisions governing the vesting and termination of this Assumed Newport RSU award remain the same as set forth in the applicable RSU Agreement, and those provisions (and any related provisions of the applicable Newport Plan incorporated by reference into such RSU Agreement) will accordingly govern and control your rights under this RSU Assumption Agreement to receive MKS Common Stock under the Assumed Newport RSUs represented by this RSU Assumption Agreement.

(c) No accelerated vesting of the shares to be received under the Newport RSU awards has occurred by reason of the Merger or MKS’s assumption of those RSUs, although any RSUs that were subject to performance conditions in addition to continued service are now being treated as though the performance condition had been fully satisfied as of the Effective Time. Accordingly, the Assumed Newport RSU award represented by this RSU Assumption Agreement will continue to vest in accordance with the same installment vesting schedule in effect for the shares covered by the applicable Newport RSUs (as set forth in the applicable RSU Agreement) immediately prior to the Effective Time except that the number of shares of MKS Common Stock subject to each installment of such vesting schedule will be adjusted to reflect the Equity Award Exchange Ratio. This statement is not intended to override any post-Effective Time rights to acceleration you may have under any other agreement with Newport.

(d) For purposes of applying any and all provisions of any RSU Agreement and the applicable Newport Plan relating to your status as an employee or director of, or consultant to, Newport or its parent or subsidiaries for purposes of determining your Continuous Service (as defined in the RSU Agreement), you will be deemed to be in Continuous Service for as long as you continue to render services as an employee, director, or a consultant to MKS or any present or future parent company or majority-owned subsidiary of MKS. Accordingly, the provisions of each RSU Agreement governing the termination of the Assumed Newport RSUs in connection with your ceasing to be an employee, director, or other service provider will, after the Effective Time, be applied on the basis of your cessation of employee, director or consultant status with MKS and its parent and majority-owned subsidiaries.

(e) **Tax Withholding.** MKS’s obligation to deliver Shares to you upon the vesting of the RSUs shall be subject to the satisfaction of all income tax (including federal, state and local taxes), social insurance, payroll tax, payment on account or other tax related withholding requirements (“**Withholding Taxes**”). In order to satisfy all Withholding Taxes related to your RSUs, you agree to the following:

(i) MKS shall determine the amount of any Withholding Taxes that MKS or any affiliated company may be obligated to withhold with respect to the grant, vesting, or other event with respect to the RSUs. MKS expects to withhold a sufficient number of shares of Common Stock in connection with such event to satisfy the amount of any such Withholding Taxes that arise. The amount of taxable compensation that you will recognize in connection with any such event and the fair market value of such withheld Shares will be based on the closing price of MKS’s Common Stock on the respective vesting date, provided, however, that if such date is not a trading day, MKS will use the closing price on the first trading day following such date. MKS may take such action without notice to you and will then remit to you the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. You will have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, MKS for any reason does not satisfy the withholding obligations with respect to the vesting of the RSUs as provided above in this

Section 5(e)(i) or otherwise pays taxes on your behalf (that are your responsibility), MKS or its affiliate shall be entitled to require a cash payment by or on behalf of you and/or to deduct from other compensation payable to you the amount of any such Withholding Taxes or MKS paid taxes.

(ii) You have reviewed with your own tax advisors the federal, state, local and foreign tax consequences of this Assumed Newport RSU award and the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of MKS, Newport, or any of their affiliates or agents. You understand that you (and not MKS, Newport or their affiliates) shall be responsible for your own tax liability that may arise as a result of this Assumed Newport RSU award or the transactions contemplated by this Agreement.

5. Except to the extent specifically modified by this RSU Assumption Agreement, all of the terms and conditions of the applicable RSU Agreement as in effect immediately prior to the Effective Time continue in full force and effect and are not in any way be amended, revised or otherwise affected by this RSU Assumption Agreement.

IN WITNESS WHEREOF, MKS Instruments, Inc. has caused this RSU Assumption Agreement to be delivered on its behalf by its duly-authorized officer or agent.

MKS INSTRUMENTS, INC.

By: _____
Gerald G. Colella, CEO and President

Date: April 29, 2016

Annex A

Name of RSU Holder	[]
Original Grant Date	[]
Number of Shares under RSUs After Conversion	[]

(The number of shares has been calculated by multiplying the number of shares of Newport Common Stock represented by the RSUs by the Equity Award Exchange Ratio and rounding down to the nearest whole share.)

4. The following provisions will govern the Assumed Newport RSU award:

(a) Unless the context otherwise requires, all references in the applicable RSU Agreement and the applicable Newport Plan (to the extent incorporated into such RSU Agreement) are adjusted as follows: (i) all references to the “Company” mean Newport (after the merger with a subsidiary of MKS) and any successor entity into which Newport is subsequently merged and, for purposes of “Reorganization Event” under the MKS Incentive Plan, MKS, (ii) all references to “Stock,” “Common Stock” or “Shares” mean shares of MKS Common Stock, (iii) all references to the “Board” mean the Board of Directors of MKS or the Compensation Committee of such Board and (iv) any interpretation of corporate law for purposes of the Assumed Newport RSU award will be under Massachusetts law rather than Nevada law.

(b) All other provisions governing the vesting and termination of this Assumed Newport RSU award remain the same as set forth in the applicable RSU Agreement, and those provisions (and any related provisions of the applicable Newport Plan incorporated by reference into such RSU Agreement) will accordingly govern and control your rights under this RSU Assumption Agreement to receive MKS Common Stock under the Assumed Newport RSUs represented by this RSU Assumption Agreement.

(c) No accelerated vesting of the shares to be received under the Newport RSU awards has occurred by reason of the Merger or MKS’s assumption of those RSUs, although any RSUs that were subject to performance conditions in addition to continued service are now being treated as though the performance condition had been fully satisfied as of the Effective Time. Accordingly, the Assumed Newport RSU award represented by this RSU Assumption Agreement will continue to vest in accordance with the same installment vesting schedule in effect for the shares covered by the applicable Newport RSUs (as set forth in the applicable RSU Agreement) immediately prior to the Effective Time except that the number of shares of MKS Common Stock subject to each installment of such vesting schedule will be adjusted to reflect the Equity Award Exchange Ratio. This statement is not intended to override any post-Effective Time rights to acceleration you may have under any other agreement with Newport.

(d) For purposes of applying any and all provisions of any RSU Agreement and the applicable Newport Plan relating to your status as an employee or director of, or consultant to, Newport or its parent or subsidiaries for purposes of determining your Continuous Service (as defined in the RSU Agreement), you will be deemed to be in Continuous Service for as long as you continue to render services as an employee, director, or a consultant to MKS or any present or future parent company or majority-owned subsidiary of MKS. Accordingly, the provisions of each RSU Agreement governing the termination of the Assumed Newport RSUs in connection with your ceasing to be an employee, director, or other service provider will, after the Effective Time, be applied on the basis of your cessation of employee, director or consultant status with MKS and its parent and majority-owned subsidiaries.

(e) Taxes.

(i) MKS’s obligation to deliver Shares to you upon the vesting of the RSUs shall be subject to the satisfaction of all income tax, social insurance, payroll tax, payment on account, or other tax related requirements (“**Tax Obligations**”).

(ii) You have reviewed with your own tax advisors the Tax Obligations applicable to you with respect to this Assumed Newport RSU award and the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of MKS, Newport, or any of their affiliates or agents. You understand that you (and not MKS, Newport or their affiliates) shall be responsible for complying with your own Tax Obligations that may arise as a result of this Assumed Newport RSU award or the transactions contemplated by this Agreement.

(iii) MKS or its affiliates may be required to withhold amounts to satisfy Tax Obligations on your behalf. To the extent that MKS or any of its affiliates pays on your behalf any Tax Obligations for which you are responsible, MKS shall be entitled to require a cash payment by or on behalf of you and/or to deduct from other compensation payable to you the amount of any such Tax Obligations paid by MKS or its affiliates.

5. Except to the extent specifically modified by this RSU Assumption Agreement, all of the terms and conditions of the applicable RSU Agreement as in effect immediately prior to the Effective Time continue in full force and effect and are not in any way be amended, revised or otherwise affected by this RSU Assumption Agreement.

IN WITNESS WHEREOF, MKS Instruments, Inc. has caused this RSU Assumption Agreement to be delivered on its behalf by its duly-authorized officer or agent.

MKS INSTRUMENTS, INC.

By: _____
Gerald G. Colella, CEO and President

Date: April 29, 2016

Annex A

Name of RSU Holder	[]
Original Grant Date	[]
Number of Shares under RSUs After Conversion	[]

(The number of shares has been calculated by multiplying the number of shares of Newport Common Stock represented by the RSUs by the Equity Award Exchange Ratio and rounding down to the nearest whole share.)

3. The intent of the foregoing adjustments to each of your Newport SAR awards is to preserve, immediately after the Effective Time, on a per-share basis, the same ratio of the Base Value per share to the fair market value per share of the Newport SAR award as determined based on the Merger consideration, except as affected by rounding. For each Assumed Newport SAR award, the Base Value is rounded up to the nearest cent, and the number of shares of MKS Common stock is rounded down to the nearest whole share. Such adjustments also ensure that the difference between the aggregate fair market value of the shares of MKS Common Stock subject to each Assumed Newport SAR award and the aggregate Base Value with respect to those shares (as adjusted pursuant to the Merger Agreement) will not, immediately after the Effective Time, be greater than the difference that existed, immediately prior to the Effective Time, between the then aggregate fair market value of the shares of Newport Common Stock subject to the Newport SAR and the aggregate Base Value with respect to those shares under each SAR Agreement. You agree that this assumption satisfies Section 10.1 of the applicable Newport Plan.

4. Each Assumed Newport SAR award will continue to have a maximum term of seven years measured from the original grant date (as indicated on Annex A hereto), subject to earlier termination (as provided in the applicable SAR Agreement) following your ceasing to be in "Continuous Service" (as defined in the applicable SAR Agreement and in paragraph 5(d) of this SAR Assumption Agreement).

5. The following provisions will govern the Assumed Newport SAR award:

(a) Unless the context otherwise requires, all references in the applicable SAR Agreement and the applicable Newport Plan (to the extent incorporated into such SAR Agreement) are adjusted as follows: (i) all references to the "Company" mean Newport (after the merger with a subsidiary of MKS) and any successor entity into which Newport is subsequently merged and, for purposes of "Reorganization Event" under the MKS Incentive Plan, MKS, (ii) all references to "Stock," "Common Stock" or "Shares" mean shares of MKS Common Stock, (iii) all references to the "Board" mean the Board of Directors of MKS or the Compensation Committee of such Board and (iv) any interpretation of corporate law for purposes of the Assumed Newport SAR award will be under Massachusetts law rather than Nevada law.

(b) The grant date and the expiration date of each Assumed Newport SAR award and all other provisions governing either the exercise or the termination of each Assumed Newport SAR award remain the same as set forth in the applicable SAR Agreement, and those provisions (and any related provisions of the applicable Newport Plan incorporated by reference into such SAR Agreement) will accordingly govern and control your rights under this SAR Assumption Agreement to receive MKS Common Stock under the Assumed Newport SAR award represented by this SAR Assumption Agreement.

(c) No accelerated vesting of the Newport SARs has occurred by reason of the Merger or MKS's assumption of those SARs. Accordingly, the Assumed Newport SAR award represented by this SAR Assumption Agreement will continue to vest in accordance with the same installment vesting schedule in effect under that Newport SAR award (as set forth in the applicable SAR Agreement) immediately prior to the Effective Time except that the number of shares of MKS Common Stock subject to each installment of such vesting schedule will be adjusted to reflect the Equity Award Exchange Ratio. This statement is not intended to override any post-Effective Time rights to acceleration you may have under any other agreement with Newport.

(d) For purposes of applying any and all provisions of any SAR Agreement and the applicable Newport Plan relating to your status as an employee or director of, or consultant to, Newport or its parent or subsidiaries for purposes of determining your Continuous Service, you will be deemed to be in Continuous Service for as long as you continue to render services as an employee, director, or a consultant to MKS or any present or future parent company or majority-owned subsidiary of MKS. Accordingly, the provisions of each SAR Agreement governing the termination of the Assumed Newport SAR awards in connection with your ceasing to be an employee, director, or other service provider will, after the Effective Time, be applied on the basis of your cessation of employee, director or consultant status with MKS and its parent and majority-owned subsidiaries.

(e) To exercise each Assumed Newport SAR award, you must comply with the instructions communicated to you with respect to electronic notice of exercise on which you must indicate the number of shares of MKS Common Stock as to which you are then exercising the Assumed Newport SAR award. You must also satisfy any tax withholding obligations in a manner provided under the SAR Agreement, subject to such consents as are required from MKS. All notices must be addressed to MKS's stock plan administrator at the time of exercise (and, currently, Fidelity Stock Plan Services).

(f) When SARs are exercised through MKS's stock plan administrator's automated system, the net number of shares that you are entitled to receive upon such exercise will be determined based upon a stock price on the date of exercise determined in accordance with the procedures of MKS's stock plan administrator, which may differ from those used by Newport's previous stock plan administrator under the Newport Plan. You agree that, rather than using the closing price on the date of exercise to determine (x) the number of shares of MKS Common Stock that represent the value of the exercised SARs and (y) the number of shares required to satisfy tax withholding obligations, MKS has directed the stock plan administrator to use another method consistent with automated trading system functionality that is common in the industry. This method currently involves processing SAR exercises using the market price at the time of exercise (or, for exercises executed after market hours, the opening price on the following trading day). This functionality offered by Fidelity will allow you to sell the net shares resulting from the exercise on the date of exercise (or on the next trading day following the date of exercise if the exercise is executed after market hours).

(g) **Tax Withholding.** MKS's obligation to deliver Shares to you upon exercise of the SARs shall be subject to the satisfaction of all income tax (including federal, state and local taxes), social insurance, payroll tax, payment on account or other tax related withholding requirements ("**Withholding Taxes**"). In order to satisfy all Withholding Taxes related to your SARs, you agree to the following:

(i) MKS shall determine the amount of any Withholding Taxes that MKS or any affiliated company may be obligated to withhold with respect to the exercise of the SARs. MKS expects to withhold a sufficient number of shares of Common Stock in connection with such event to satisfy the amount of any such Withholding Taxes that arise. MKS may take such action without notice to you and will then remit to you the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. You will have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, MKS for any reason does not satisfy the withholding obligations with respect to the exercise of the SARs as provided above in this Section 5(g)(i) or otherwise pays taxes on your behalf (that are your responsibility), MKS or its affiliate shall be entitled to require a cash payment by or on behalf of you and/or to deduct from other compensation payable to you the amount of any such Withholding Taxes or MKS paid taxes.

(ii) You have reviewed with your own tax advisors the federal, state, local and foreign tax consequences of this Assumed Newport SAR award and the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of MKS, Newport, or any of their affiliates or agents. You understand that you (and not MKS, Newport or their affiliates) shall be responsible for your own tax liability that may arise as a result of this Assumed Newport SAR award or the transactions contemplated by this Agreement.

6. Except to the extent specifically modified by this SAR Assumption Agreement, all of the terms and conditions of the applicable SAR Agreement as in effect immediately prior to the Effective Time continue in full force and effect and are not in any way be amended, revised or otherwise affected by this SAR Assumption Agreement.

IN WITNESS WHEREOF, MKS Instruments, Inc. has caused this SAR Assumption Agreement to be delivered on its behalf by its duly-authorized officer or agent.

MKS INSTRUMENTS, INC.

By: _____
Gerald G. Colella, CEO and President

Date: April 29, 2016

Annex A

Name of SAR Holder	[]
Original Grant Date	[]
Number of SARs After Conversion	[]
Base Value per Share after Conversion	[]

(The number of shares covered by the SAR Award has been calculated by multiplying the number of shares of Newport Common Stock represented by the SARs by the Equity Award Exchange Ratio and rounding down to the nearest whole share. The Base Value per Share has been calculated by dividing the Base Value per Share of the SAR Award by the Equity Award Exchange Ratio and rounding up to the nearest whole cent.)

3. The intent of the foregoing adjustments to each of your Newport SAR awards is to preserve, immediately after the Effective Time, on a per-share basis, the same ratio of the Base Value per share to the fair market value per share of the Newport SAR award as determined based on the Merger consideration, except as affected by rounding. For each Assumed Newport SAR award, the Base Value is rounded up to the nearest cent, and the number of shares of MKS Common stock is rounded down to the nearest whole share. Such adjustments also ensure that the difference between the aggregate fair market value of the shares of MKS Common Stock subject to each Assumed Newport SAR award and the aggregate Base Value with respect to those shares (as adjusted pursuant to the Merger Agreement) will not, immediately after the Effective Time, be greater than the difference that existed, immediately prior to the Effective Time, between the then aggregate fair market value of the shares of Newport Common Stock subject to the Newport SAR and the aggregate Base Value with respect to those shares under each SAR Agreement. You agree that this assumption satisfies Section 10.1 of the applicable Newport Plan.

4. Each Assumed Newport SAR award will continue to have a maximum term of seven years measured from the original grant date (as indicated on Annex A hereto), subject to earlier termination (as provided in the applicable SAR Agreement) following your ceasing to be in "Continuous Service" (as defined in the applicable SAR Agreement and in paragraph 5(d) of this SAR Assumption Agreement).

5. The following provisions will govern the Assumed Newport SAR award:

(a) Unless the context otherwise requires, all references in the applicable SAR Agreement and the applicable Newport Plan (to the extent incorporated into such SAR Agreement) are adjusted as follows: (i) all references to the "Company" mean Newport (after the merger with a subsidiary of MKS) and any successor entity into which Newport is subsequently merged and, for purposes of "Reorganization Event" under the MKS Incentive Plan, MKS, (ii) all references to "Stock," "Common Stock" or "Shares" mean shares of MKS Common Stock, (iii) all references to the "Board" mean the Board of Directors of MKS or the Compensation Committee of such Board and (iv) any interpretation of corporate law for purposes of the Assumed Newport SAR award will be under Massachusetts law rather than Nevada law.

(b) The grant date and the expiration date of each Assumed Newport SAR award and all other provisions governing either the exercise or the termination of each Assumed Newport SAR award remain the same as set forth in the applicable SAR Agreement, and those provisions (and any related provisions of the applicable Newport Plan incorporated by reference into such SAR Agreement) will accordingly govern and control your rights under this SAR Assumption Agreement to receive MKS Common Stock under the Assumed Newport SAR award represented by this SAR Assumption Agreement.

(c) No accelerated vesting of the Newport SARs has occurred by reason of the Merger or MKS's assumption of those SARs. Accordingly, the Assumed Newport SAR award represented by this SAR Assumption Agreement will continue to vest in accordance with the same installment vesting schedule in effect under that Newport SAR award (as set forth in the applicable SAR Agreement) immediately prior to the Effective Time except that the number of shares of MKS Common Stock subject to each installment of such vesting schedule will be adjusted to reflect the Equity Award Exchange Ratio. This statement is not intended to override any post-Effective Time rights to acceleration you may have under any other agreement with Newport.

(d) For purposes of applying any and all provisions of any SAR Agreement and the applicable Newport Plan relating to your status as an employee or director of, or consultant to, Newport or its parent or subsidiaries for purposes of determining your Continuous Service, you will be deemed to be in Continuous Service for as long as you continue to render services as an employee, director, or a consultant to MKS or any present or future parent company or majority-owned subsidiary of MKS. Accordingly, the provisions of each SAR Agreement governing the termination of the Assumed Newport SAR awards in connection with your ceasing to be an employee, director, or other service provider will, after the Effective Time, be applied on the basis of your cessation of employee, director or consultant status with MKS and its parent and majority-owned subsidiaries.

(e) To exercise each Assumed Newport SAR award, you must comply with the instructions communicated to you with respect to electronic notice of exercise on which you must indicate the number of shares of MKS Common Stock as to which you are then exercising the Assumed Newport SAR award. You must also

satisfy any tax withholding obligations in a manner provided under the SAR Agreement, subject to such consents as are required from MKS. All notices must be addressed to MKS's stock plan administrator at the time of exercise (and, currently, Fidelity Stock Plan Services).

(f) When SARs are exercised through MKS's stock plan administrator's automated system, the net number of shares that you are entitled to receive upon such exercise will be determined based upon a stock price on the date of exercise determined in accordance with the procedures of MKS's stock plan administrator, which may differ from those used by Newport's previous stock plan administrator under the Newport Plan. You agree that, rather than using the closing price on the date of exercise to determine (x) the number of shares of MKS Common Stock that represent the value of the exercised SARs and (y), where applicable, certain tax related obligations, MKS has directed the stock plan administrator to use another method consistent with automated trading system functionality that is common in the industry. This method currently involves processing SAR exercises using the market price at the time of exercise (or, for exercises executed after market hours, the opening price on the following trading day). This functionality offered by Fidelity will allow you to sell the net shares resulting from the exercise on the date of exercise (or on the next trading day following the date of exercise if the exercise is executed after market hours).

(g) Taxes.

(i) MKS's obligation to deliver Shares to you upon exercise of the SARs shall be subject to the satisfaction of all income tax, social insurance, payroll tax, payment on account, or other tax related requirements ("**Tax Obligations**").

(ii) You have reviewed with your own tax advisors the Tax Obligations applicable to you with respect to this Assumed Newport SAR award and the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of MKS, Newport, or any of their affiliates or agents. You understand that you (and not MKS, Newport or their affiliates) shall be responsible for complying with your own Tax Obligations that may arise as a result of this Assumed Newport SAR award or the transactions contemplated by this Agreement.

(iii) MKS or its affiliates may be required to withhold amounts to satisfy Tax Obligations on your behalf. To the extent that MKS or any of its affiliates pays on your behalf any Tax Obligations for which you are responsible, MKS shall be entitled to require a cash payment by or on behalf of you and/or to deduct from other compensation payable to you the amount of any such Tax Obligations paid by MKS or its affiliates.

6. Except to the extent specifically modified by this SAR Assumption Agreement, all of the terms and conditions of the applicable SAR Agreement as in effect immediately prior to the Effective Time continue in full force and effect and are not in any way be amended, revised or otherwise affected by this SAR Assumption Agreement.

IN WITNESS WHEREOF, MKS Instruments, Inc. has caused this SAR Assumption Agreement to be delivered on its behalf by its duly-authorized officer or agent.

MKS INSTRUMENTS, INC.

By: _____
Gerald G. Colella, CEO and President

Date: April 29, 2016

Annex A

Name of SAR Holder	[]
Original Grant Date	[]
Number of SARs After Conversion	[]
Base Value per Share after Conversion	[]

(The number of shares covered by the SAR Award has been calculated by multiplying the number of shares of Newport Common Stock represented by the SARs by the Equity Award Exchange Ratio and rounding down to the nearest whole share. The Base Value per Share has been calculated by dividing the Base Value per Share of the SAR Award by the Equity Award Exchange Ratio and rounding up to the nearest whole cent.)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Gerald G. Colella, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MKS Instruments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2016

/s/ Gerald G. Colella

Gerald G. Colella
Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)/RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Seth H. Bagshaw, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MKS Instruments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2016

/s/ Seth H. Bagshaw

Seth H. Bagshaw
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of MKS Instruments, Inc. (the "Company") for the period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gerald G. Colella, Chief Executive Officer and President of the Company, and Seth H. Bagshaw, Vice President, Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2016

/s/ Gerald G. Colella

Gerald G. Colella
Chief Executive Officer and President

Dated: May 6, 2016

/s/ Seth H. Bagshaw

Seth H. Bagshaw
Vice President, Chief Financial Officer and Treasurer